our democracy is we are a nation of laws and not men.

And Congressman BURTON, I appreciate your bringing this forward tonight. I hope you will continue to advise the House of whatever matters come before you or Chairman CLINGER, so we are aware of what is happening and the American public has a chance to weigh in as well.

Mr. BURTON of Indiana. I thank the gentleman from Pennsylvania for his participation in this special order, and I agree with him that we should continue these special orders to illuminate issues of national concern.

One of the problems that we have in this country right now is there is not a great deal of confidence in government. I think the last election showed that very clearly. And when you have member after member after member of the administration quitting or being forced to resign under a cloud, it creates more doubts and concerns among the electorate and the people of this country. So I think what we have to do is reinstill confidence in them that the Government is honest, that the people that are running the Government in both the executive and legislative branches are honest, and if we find some wrongdoing, that needs to be brought out in the full light of day through hearings or investigations. And that is why we urged during the Vietnamese debacle there be hearings, but we were not in the majority at that time and could not get it done.

Now that we are in the majority, we should have full and fair hearings. I do not think it should be we are tying him up and tar and feathering him and carrying him off over into the sunset. I think they ought to be fair hearings with fair questions being asked and expecting fair answers from Mr. Brown and his associates.

But these things that are in the paper are going all across the country right now, and the people I am sure are shaking their heads and saying, ''Oh my gosh, there is another corrupt government official.'' And we need to get to the bottom of it and get to the bottom of questions like this.

Mr. FOX of Pennsylvania. I hope the gentleman will get back to us through this forum of the special orders or within our Committee on Government Reform and Oversight because I know the gentleman from Pennsylvania [Mr. CLINGER] has a full plate with many of the Contract With America items, but I know he has made a priority your discussion with regard to restoring public confidence in public officials. We look forward to hearing further.

Mr. BURTON of Indiana. I thank the gentleman. Let me just say next week we will be taking a special order going into some other activities in the administration which I think will be of great interest to my colleagues.

With that, I yield back the balance of my time.

FINANCIAL STABILITY OF THE UNITED STATES GOVERNMENT

The SPEAKER pro tempore. Under the Speaker's announced policy of January 4, 1995, the gentleman from Oregon [Mr. DEFAZIO] is recognized for 60 minutes as the designee of the minority leader.

Mr. DEFAZIO. Mr. Speaker, this evening we would like to address two subjects having to do with the health of the economy of the United States, and the financial stability of our Government. And they go to the proposed or pending interest rate increase before the Federal Reserve Board, and the announcements today made by the administration regarding the Mexican bailout which apparently now will be done by administrative order.

I would like first to start, since it has not happened yet, perhaps we can prevent a disaster, start with the proposed interest rate increase by the Federal Reserve.

Six times in the last year, a record, the Federal Reserve Board has seen inflation somewhere over the horizon and raised interest rates.

□ 2040

Those six increases have hit hard at anybody in America who has to borrow money, families who want to borrow money to buy a house, individuals who want to borrow money to buy a car, people who want to start or continue with a small business, homebuilders and others. They have been hit time and time again by the Federal Reserve raising interest rates, this latest pending increase estimated to be one-half of a percent.

Now, just think about it, this is a group that will meet in secret. The Federal Reserve meets in secret. They are accountable to no one. Calls were recently placed down there by my staff regarding the Mexican peso bailout, and we were told there was no business of the Congressman what involvement the Federal Reserve might have with our tax dollars and reserve money that underlies our bank accounts. They will meet in secret, and they will consider a policy change that is likely to raise this year's deficit by $2.5 billion.

It is likely, according to the homebuilders, to drive a medium-priced home beyond the reach of 1 million families in America. That is after they have already driven up prices of mortgages by more than $200 a month on a $100,000 home in the last year. This single increase will drive up the mortgage on a $100,000 house by about $1,600.

Now, here we are squabbling over these proposals to reduce taxes by a pizza a week for every American family, and the Federal Reserve in secret with no accountability to the U.S. Congress or the elected representatives of the people is going to unilaterally impose a policy that will increase the deficit by $2.5 billion, will increase the price of a home for a modest family, a $100,000 home, by $1,600 per year with no public scrutiny, no hearings, and no accountability. It is absolutely outrageous.

Furthermore, they have adopted a policy now, they think that any rate of unemployment less than 6 percent is inflationary. God forbid that wages should go up a little bit in this country. They have not gone up for your average family in the last 20 years, and the Federal Reserve has a concerted policy to make sure that does not happen. They consider a wage increase for working Americans to be inflationary.

Yet we had a wire story today that said we had the least pressure on employment costs since those statistics have been kept. Yet again, the Federal Reserve is going to preemptively raise interest rates with a concerted policy to put tens of thousands more Americans out of work. Remember, it used to be 4 percent was considered full employment in this country. Now they say 6-percent unemployment is full employment. That is 3½ million Americans who are going to be deprived of their jobs by the Federal Reserve because the Federal Reserve sees inflation that does not exist.

Furthermore, Alan Greenspan, the Chairman of the Federal Reserve, appointed by the last Republican President, has said that we overstate inflation in this country. He testified just last week before the Banking Committee and said, ''Well, you know, the CPI overstates inflation by 1 to 1½ percent.'' That means, according to Alan Greenspan's own numbers, inflation is at more than a 30-year low in this country. Yet they are going to go back to the well one more time. They are going to raise interest rates again. They are going to raise the price of houses again, refrigerators, anything you buy on time will be increased.

Why? Not because there is a real threat of inflation, but because it is being demanded by Wall Street.

Now, it is an interesting question who makes monetary policy in this country, who controls the currency of the United States. And are we running this Nation for a few select bankers on Wall Street, or are we running this Nation for the American taxpayers? That brings up the Mexico bailout.

The gentlewoman from Ohio [Ms. KAPTUR] found a very interesting quote in the Wall Street Journal, and I thought you might want to present that.

Ms. KAPTUR. If the gentleman will yield, I thank you for your tremendous work on focusing on the Federal Reserve and the important role they play in this country. They are unelected. They do not have to come up here. Most Americans do not know who the Board of Governors of the Federal Reserve are, and yet all of the money that the citizens put in their banks back home, those banks, if they should choose, and most of them do, then pay dues into the Federal Reserve System.

They are organized by districts around the United States. The closest one to me is in Cleveland, OH, since I

live in the State of Ohio. Those banks belong to the Federal Reserve here in Washington.

It is my opinion not all Federal Reserve district banks have the same importance in the system, because it was not the banks that belonged to the Cleveland Federal Reserve that got into all the trouble 12 years ago or 13 years ago in making those loans to Mexico. It was largely money-center banks in New York City that caused all the trouble. Yet our member banks back home had to help cushion those blows. They were forced to charge higher interest rates to their customers.

They did not cause the damage in the system, and I think what we have here is the predominance of one set of money-center banks from Wall Street and their related brokerage houses doing business in very close communication, not open to the general public. Of course, I mean, they do not see this happening.

But yet they draw money in from the system, do things with it that causes problems, and they become very powerful in making economic decisions for this country.

The gentleman was asking me about an article in the Wall Street Journal today. You know, we have been trying to figure out why interest rates are going up in the United States when there is no inflation, when people's wages are not going up; in fact, people are taking benefit cuts all over this country. We have so many part-time workers and temporary workers and people who are being outsourced, downsized, restructured, redeployed. There are all kinds of names for this.

And you ask yourself why would interest rates be going up in the United States. Well, they are not really going up because of what is happening in this country, but the markets are reflecting, our market here, and the interest rates, are reflecting draws on the system because of decisions made by money-center banks and large corporations in other countries.

The closest one at the moment is Mexico. I believe interest rates are going up in this country because the market is taking it out on the American people, the banks that have a lot at risk and have made some bad decisions, and the brokerages that borrow from them have made some bad decisions. And now the American people are having to pay for it in their checking accounts, in the mortgage payments that they make, as the gentleman said, and what you mentioned in terms of the price of a $100,000 house.

I know I figured it out for a $60,000 house in Toledo, OH. The interest rates over last year will cost that family $100 more a month, $1,200 more a year.

I do not care how much tax-cutting we do this year in this Congress, we are not going to be able to offset the real dollars people are paying every day through the worst taxes of all, which are these higher interest rates people pay on their credit cards and cars and on their homes.

Some of the people that are causing the trouble were talked about today beginning on page A3 of the Wall Street Journal in an article called ''Mexico's Currency Plunges Nearly 10 Percent,'' and it continues on page A8. We have been asking the Clinton administration for a list of who Mexico owes money to, who are the creditors that are supposed to be bailed out. Of course, they have not sent us an answer.

It is very interesting what it says in the top paragraph on page A8. It says that if the Congress and the taxpayers were to bail out Mexico, one beneficiary would be the firm that Treasury Secretary Robert Rubin used to run, Goldman, Sachs & Co., which ranked as the No. 1 underwriter of Mexican stocks and bonds in the United States and European markets for 1992 through 1994. In those 3 years, according to Security Data Co., Goldman underwrote over $5 billion worth in Mexican securities compared with $2 billion for the securities unit of J.P. Morgan & Co. Third was Bear, Stearns & Co. at $1.8 billion.

So I would guess that even though the administration and the Treasury Department have not provided us with the specific list of creditors that we are looking for, we can begin by reading between the lines here and see whose wallets are really on the line.

Mr. DEFAZIO. If I could interject at that point. There is an excellent quote which plays off that in the business section today of the Washington Post, page D1, where the vice-chairman of Goldman, Sachs, Robert Hormats, says the prestige of the President, the Fed Chairman, and the leadership of both Houses in Congress has been committed. If Congress were to kill the aid package, the feeling in the rest of the world would be that we are a nation in disarray, a country incapable of addressing a crisis. The psychological blow would be enormous.

I wonder if Mr. Hormats is really talking about the blow to the United States of America and the people whom I represent who have not been speculating in Mexico, or is he talking about the blow to Goldman, Sachs, who has done 5.2 billion dollars' worth of business in Mexico for the last 3 years.

If we are taking about that, I am really concerned what is being proposed now by the ex-director of Goldman, Sachs, the Secretary of the Treasury, is to bail out Mexico now through an Executive order, not through coming to the United States Congress.

□ 2050

They found the Congress exerted, in this case, uncommon good sense; they said ''Wait a minute, we don't see the collateral or the national security interests. Why are we looking at this $40 billion bailout?''

I see the gentleman from California [Mr. HUNTER] has arrived.

Mr. Speaker, I yield to the gentleman from California.

Mr. HUNTER. I thank my friends for continuing to discuss this issue. I think there is an even greater issue now that I hope all of Congress will start looking at and the American people will look at, and that is the whole underpinning of this blind adherence to free trade that those in the executive branch and many of our colleagues and friends in Congress have adhered to over the last 10 years or so. If it is true, if these apocalyptic claims by the Goldman-Sachs representatives of the world are true, if you want to have a poor person Mazatlan send me a thousand dollars, if that is true that we really have tied the United States and the well-being of our people to the fortunes of a Third World nation which we cannot control, then there is a fundamental flaw in our free trade philosophy.

What that means is we have handcuffed ourselves pursuant to the deep breathers, the free trade advocates, to a drowning swimmer, somebody who cannot swim.

I am talking about Mexico and other Third World markets, so-called emerging markets that our investors have put billions of dollars into. That is not a fundamentally sound economic policy for the United States to follow.

So the people that helped engineer NAFTA I think have to answer a couple of questions. First, they have to prove that this is an apocalyptic situation—and I do not think it is—and I think Bill Siederman and other responsible conservatives, moderates, and liberals in the economic world have made good statements with respect to that. But if our free trade philosophy has handcuffed us to these nations that cannot swim, has put us in the deep water and said ''Have a nice day,'' then that is fundamentally unsound and fundamentally flawed and we should rethink free trade for that reason.

I think the gentlewoman from Ohio [Ms. KAPTUR] the lady with the rose, who has always had such an articulate viewpoint on this very important issue and keeps coming and coming and coming on this issue on the House floor, trying to persuade our colleagues to take a seek look at this blind adherence to free trade. I think in the aftermath of NAFTA and this debacle a lot of Members are starting to disengage themselves from their idealistic philosophy and look at the real world.

I thank the gentleman from Oregon [Mr. DEFAZIO] also for his work because he has been here night after night working on this issue. I thank the gentleman for what he is doing.

Mr. DEFAZIO. I thank the gentleman.

Mr. Speaker, I see the gentleman from Vermont [Mr. SANDERS]. I say to the gentleman we are discussing both the Mexican bailout proposal and also

more generally the policies of the secretive Federal Reserve Board that is obviously hand in glove involved with the bailout of Mexico.

Mr. Speaker, I yield to the gentleman from Vermont.

Mr. SANDERS. I thank the gentleman for yielding.

Let me congratulate the gentleman from Oregon and Ms. KAPTUR and Mr. HUNTER for their excellent work.

I find myself just a little bit nervous in agreeing with the gentleman from California [Mr. HUNTER] with whom on many issues we do not have much in common. But the point I just heard him make is an excellent point.

It frightens me to think that if the global economy means that the future of a decent standard of living of the American people rests on the prosperity of an authoritarian corrupt government in Mexico, then we are in very, very deep trouble. It also seems to me that in a time when this Congress and this President are having such a difficult job improving the standard of living of every ordinary American—today there was a piece in the paper which indicated there are about 6 million children in America under the age of 6 who are living in poverty. We have the highest rate of childhood poverty in the industrialized world. Forty million Americans have no health insurance. We are losing millions of decent manufacturing jobs to Third World countries.

We have enormous problems in this country, which this Congress, this President, President Clinton, and President Bush and others have been unable to solve. If we cannot resolve our own problems how in God's name are we going to be running the country of Mexico?

So I would simply suggest that we leave to our Mexican friends the difficult charge that they have to run and try to improve the lives of their people and that we should try to concentrate on our own needs here.

The other point that I would make is that I was at a Banking Committee hearing last week and at the meeting in pursuing the bailout for Mexico we had the Secretary of State, Warren Christopher, we had the head of the Federal Reserve, Mr. Greenspan, and we had the Secretary of Treasury, Mr. Rubin.

My, my, my, all of these heavy hitters working night and day trying to help us bail out Mexico, and yet I look at what happens to family farmers in Vermont working 80 hours a week losing their farms; 2 million people in America who are homeless; children who are hungry. Where are the heavy hitters who are standing up and saying we have an emergency right here in the United States of America. Our standard of living is in decline, let's pay attention to that need.

So I get a little bit resentful, a little bit resentful when all of this energy, all of this big money focuses on bailing out Mexico and yet the needs of the American people seem to be ignored.

Mr. DEFAZIO. I yield to the gentlewoman from Ohio.

Ms. KAPTUR. I would like to add a point to that in terms of who are wiling to bail out and who are not willing to bail others out. One of the most advanced industries in our country is the airline industry. Every day we see newspaper articles in papers across this country about the fate of USAir. That is one of our major carriers, which serves my hometown and has served different parts of the Northeast.

There has been no surge as far as I have noted from those same three gentlemen mentioned by the gentleman from Vermont, who appeared before the Committee on Banking to try to help USAir work out of its situation or its handsome losses over the past several years, to keep thousands and thousands of people on their jobs.

I have no seen any phone calls or comments made by anybody over at Treasury. In fact, it is interesting if you look at the Chrysler situation several years ago before I got to the Congress, Alan Greenspan at that time was opposed to any Federal involvement in the Chrysler bailout.

Whether you agreed with the Chrysler bailout or you did not agree with the Chrysler bailout, they paid their money back with interest, as Lee Iacocca will remind us no matter where you meet him anywhere in the country; he was opposed. Yet he is for this, one of the chief sponsors of this effort to try to find a way, back doorway now of getting our taxpayers and our banking system to bail out Mexico. Yet when one of our own companies has been in trouble, now USAir needing a little bit of help, I have not seen the Secretary of the Treasury on the telephone or the Chairman of the Federal Reserve with the head of USAir.

So I would agree with the gentleman.

While I have the floor for a moment I just want to commend the gentleman from California [Mr. HUNTER] who has also been on this floor so many evenings trying to give some incredible speeches that reached far beyond the Beltway into the hearts and minds of the American people, trying to show the people a new road, not a road that closes off America but a road that is fair to American workers and builds democracy abroad.

That is what we should be about here. For those of us who have fought this long fight it is a great fight to be in because we know we are right. The American people are now listening. They know something is up.

I thank the gentleman from Oregon for having this special order this evening.

Mr. DEFAZIO. The interesting problem is that we have been somewhat successful. I think when we first started to speak out against the Mexican bailout it was pretty lonely. The Republican Speaker and the Republican majority leader in the Senate went down to the White House to meet with the President, Alan Greenspan, Secretary of the Treasury, Democrat President. We had a bipartisan agreement that it was in the national security interest of the United States to bail out Mexico and rush something through the Congress. But then a few of us started standing up and asking embarrassing questions about why this was necessary, why the haste, what was the collateral, what exactly was the national security interest. These are questions of cost that have never been answered, and in fact that is why they will not try to have to move that legislation through the House. They do not want answers to those questions, the list that the gentlewoman from Ohio provided about exactly who holds these securities that are at risk. They are trying to come in and tell us it is pension funds.

□ 2100

Well, we made some calls in my district, and I know other people have, and we have yet to find anybody managing a pension fund that will admit that they were speculating in junk bonds in Mexico, bonds that paid between 20 and 50 percent interest.

Now I do not think there are very many prudent pension managers around the Nation who are engaged in such speculation, but apparently Goldman Sachs was into Mexico very big time, $5.2 billion over 4 years, and who knows how many of their clients were at risk here, as opposed to Goldman Sachs itself as a firm, and how much liability they might have for having provided poor advice to their clients talking about the emerging markets of Mexico, but in our success it appears we are about to be short-circuited.

Where we could not get $40 billion out the front door, it appears that the President is going to attempt to take $40 billion out the back door, still working hand in glove with the Federal Reserve with secret amounts of money under terms not to be disclosed to the people's Representatives in the Congress, working through the International Stabilization Bank. How much of the money being channeled through the International Stabilization Bank is flowing out of our Federal Reserve, working through the International Monetary Fund? How much of the money coming through the International Monetary Fund is money being channeled by the Federal Reserve of the United States of America? I have not heard the outcry in Europe that we must stabilize Mexico in order to stabilize the world economy. I have not heard those cries, but we certainly heard the cries coming from the people running Goldman Sachs in Wall Street.

So, now it turns out that the President, even though he came to the Congress in a bipartisan way to propose this bailout, has decided, well, actually he did not need the authority anyway, that there is another way to structure

this bailout using section 5302 or chapter 31, section 5302, of the U.S. Code stabilizing exchange rates and arrangements.

The gentleman from Vermont [Mr. SANDERS] is on the Committee on Banking and Financial Services, and I know the gentlewoman from Ohio [Ms. KAPTUR] is more versed than me, but the way I read this, Mr. Speaker, it allows us to engage in short-term swaps or exchanges of funds to defend the U.S. dollar, not 10-year loans to bail out a failing government in a collapsing economy.

I ask, ''Would you want to address that for a moment?''

Ms. KAPTUR. I am glad the gentleman brought up that point. Before I address that, let me just say that through our efforts 80 percent of the American people oppose this effort to try to prop up the peso so that Mexico can pay its debts to Wall Street speculators. What is interesting is the Wall Street Journal today also said that 75 percent of the residents of Mexico City, the people of Mexico, were against the loan guarantee packages as well, so if the people of the United States are against it, and the people of Mexico are against it, who is it that is ramming this through?

And the gentleman asked about the Banking Committee. In my 8 years that I spent on the committee, Mr. Speaker, I never saw the Currency Stabilization Fund used for this purpose. It was always used in small amounts, never to the tune of $20 billion. We are trying to research back to see the largest such use of the fund. Maybe we found $2 billion back 10 years ago, but never to this extent, and never to defend the debts owned by another country. This is a very precedent-setting move that is occurring here.

In addition to that, there is an additional, around $17.5 billion, coming through the International Monetary Fund, and at the moment it is unclear to us whether that is $17.5 billion in new money because the U.S. contribution to the IMF has to be appropriated dollars through here. Are those old dollars? Are those new dollars? Where are those dollars coming from?

And then the third element of this is the International Bank for Settlements, which is $10 billion, and it is very interesting because the Bank for International Settlements has a board just like the Federal Reserve. It has 24 members on the board. The United States has never participated on that board before. We were not making payments. All of a sudden who ends up on the board of the 24 most recently? The Chairman of our Federal Reserve, Alan Greenspan, and the chairman of the New York Fed, Bill McDonough, all of a sudden. And Citibank, surprise, surprise, is all of a sudden making payments into the Bank for International Settlements.

Now if it would happen that the debtors could not pay their debts, the burden of the Bank for International Settlements falls to the member countries to pay back. So they have a lot of different names, but it is the same people in these different institutions, and it all comes back right here, to the taxpayers of the United States, and every single economist that came before our hearings that the gentleman from California [Mr. HUNTER], and the gentleman from Oregon [Mr. DEFAZIO] and the gentleman from Vermont [Mr. SANDERS] helped us organize about a week ago, every single person said this was a set of credits that had high risk. This was not something where there was certain repayment. They expected losses. So, we expect that there will be claims that will be made on the taxpayers of our country under this new scenario.

So, the gentleman is correct. I think what the President has done is just pushed the definition of what is in that section to the limits both in terms of his own authority and the amount of funds that will now be drawn down for the purpose of, not propping up the dollar, but propping up the debts that are owed to creditors by the Government of Mexico.

Mr. DEFAZIO. Mr. Speaker, I yield to the gentleman from Vermont for a moment.

Mr. SANDERS. Mr. Speaker, the gentlewoman from Ohio [Ms. KAPTUR] mentioned that she read in the Wall Street Journal, I gather, that not only are the vast majority of the American people in opposition to this bailout, but in Mexico City, for interesting reasons having to do with the sovereignty of the Mexican people, very strong opposition to this bailout as well. So, on one hand you have the American people in opposition. On the other hand we have the Mexican people in opposition.

But probably in the Wall Street Journal, if we went to the editorial page of the Wall Street Journal, let me guess. The Wall Street Journal is strongly in support of the bailout, which takes us back to the scenario that took place some 14 months ago when we debated this issue of NAFTA right here on the floor of the House.

And interestingly enough the proponents of this bailout are trotting out all of the same figures once again. We have all of our former Presidents who told us what a great deal NAFTA would be. They are out again. And all of the former Secretaries of the Treasury who told us what a great deal NAFTA would be, they are out again. And all of the major newspapers in America and all of the large corporations in America who told us that NAFTA would significantly improve the standard of living of Mexican workers, why they are out again telling us editorially what a good deal this bailout would be.

The truth of the matter is that, and I say this, and I know you have made this point before: We are not gleeful, we are not delighted to say that we were right about NAFTA and they were wrong. We are not gleeful. But we do think it would be helpful for some of these editorial writers and the Wall Street Journal, instead of saying, ''Let us pump another $40 billion of loan guarantees into Mexico, and then maybe they may want to acknowledge that they were wrong and that maybe we want to rethink.''

And I know that the gentleman from Oregon [Mr. DEFAZIO] has introduced a very important piece of legislation that I know we are on which says, ''Let us break the NAFTA agreement, let us withdraw from the NAFTA agreement,'' but it really does bother me that, after misleading the American people, they are back 14 months later saying, oops, we made a little bit—they do not acknowledge that they made a mistake, but now they have proposed that we have—we put another $40 billion of loan guarantees.

Mr. DEFAZIO. Well, actually what they do is they say, ''We never could have anticipated this.''

Of course we talked about the fact the peso was overvalued, would be devalued. I mean they can go back and review the debate, and actually we told them, as did credible economists.

But the gentlewoman from Idaho [Mrs. CHENOWETH] I believe has a question she would like to direct to the gentlewoman from Ohio [Ms. KAPTUR] and I yield to her for that purpose.

Mrs. CHENOWETH. Mr. Speaker, I thank the gentleman very much, and, being a freshman in this distinguished body, I have watched with great admiration as the gentlewoman from Ohio has patiently explained to us and the American people much that we need to know, and I appreciate her very much, and I am learning from her, but I do want to ask either the gentlewoman from Ohio [Ms. KAPTUR] or the gentleman from my neighboring State, the gentleman from Oregon [Mr. DEFAZIO]. I have a question about the basic function and the statutory authority of the Bank of International Settlements. I was shocked to realize that they, too, were a part of this bailout.

□ 2110

It was my understanding that the Bank of International Settlements was set up to help with International disputes. Again, Mr. DEFAZIO pointed out there is no national security problem here or no great national interest here.

Where is the dispute? Can you help me out here? Can you help the American people out? So much is being skirted in terms of what our expectations should be in the way institutions function, as well as government. It seems that the institutions are functioning outside of government, and it is a frightening thing.

Ms. KAPTUR. First of all, I think the gentlewoman from Idaho, so early in her first term, for being down here in the well asking the right questions.

Sometimes we do not always win our issues, but we find if we give voice to the American people, even though sometimes we feel like we do not have a lot of power, with that voice comes

greater understanding, and slowly you see a country change. I think that is what we are about.

I am not aware of what the dispute is. The Bank for International Settlements was a consortium of central bankers that was devised in order to try to deal with some of the currency differences and for central banks to band together for assistance if there were draws that went more to one country than another country. I, like the gentlewoman, am quizzical as to what the dispute would be in this case. And I am very concerned about what the U.S. financial obligation would be if bills come due you.

I also wanted to place on the record this evening, to the gentleman from Vermont, who has been so steadfast in participating in these special orders, to say you have talked about the Wall Street Journal, one of the most respected publications in our country. And read it everyday and many, many analytical articles are just superb.

But I think it is important for the record to indicate that the former president of Mexico, the most recent president of Mexico, Carlos Salinas, was appointed to the board of Dow Jones & Co., which owns the Wall Street Journal, and it does not surprise me, therefore, as I read the various headlines in the Wall Street Journal and some of the hype that has been put into trying to make it seem like if we do not do this there will be an apocalypse, ''Mexico worries spread to emerging markets,'' the headlines, ''Mexico's currency plunges 10 percent amid worries about U.S. rescue plan.'' The headlines, you worry. Headlines form policy. It is important to know who is in position to make opinions about this and influencing public opinion.

So if I might further respond to the gentlewoman from Idaho, my hope is that as we get more details on the package, over the next day we hope—we were not able to get the fineprint today—we will be able to answer your constituents and our own with more specificity as to the role of the Bank for International Settlements in this.

We know it is $10 billion. We do not know how that is being drawn down. We were not provided with any details today.

Mr. DEFAZIO. I think the gentlewoman for answering questions as best we can at this time.

I think the gentlewoman from Idaho has raised an excellent question. The Bank for International Settlements, what is the United States' obligation to that bank at this point in time? How is it we came so recently to be represented on the board of directors by Alan Greenspan and the chairman of the New York Fed?

What commitments has the United States made of either funds that are be channeled through the Federal Reserve Board in secret, or more overt agreements or obligations of the Federal treasury? How much do we have at risk here?

I think these are excellent questions that need to be answered.

You know, there is this wisdom that somehow we have to allow the Federal Reserve to operate in secret because it is the only way to give them political independence. The Bundesbank in Germany is I think the most highly regarded central bank in the world, and they are required to conduct all their deliberations, negotiations, discussions and votes in public. But yet our Federal Reserve somehow is the only agency of the Federal Government, more powerful than the Congress and the President combined in terms of the economic future of this country today, in terms of whether or not we bail out Mexico or raise interest rates again to fight inflation that no one else sees except for Alan Greenspan and a few other inflation warriors at the Federal Reserve, they do all this in secrecy. They change the policies to say they think 4 percent unemployment is too low and they would rather have 6 percent, because otherwise wages might go up a little bit and working people might earn more in this country and that might start an inflationary trend. At the same time they are tying us to international agreements and institutions which are diminishing the role of U.S. labor.

So on the face of it their arguments are not even consistent. But they do not have to account to anyone. They do not have to answer questions if we call down there.

My staff called down today to ask about conflicts of interest by members of the Federal Reserve Board. Do any members of the Federal Reserve Board represent regional banks which are heavily invested in Mexico, and have they disclosed that fact, have they recused themselves from voting as they apportion funds to bail out Mexico? No, we are not allowed to know the answer to that question.

So what is this body we have created, that is so much beyond the public and the elected representatives of the people? Its role in this bailout is just extraordinary.

Mr. SANDERS. I think the points that the gentleman is making are absolutely correct. Ostensibly we live in a democracy, and ostensibly it is the President of the United States and the House and the Senate that represent the American people, and presumably are elected to do the best that we can to represent the interests of the American people, and presumably are elected to do the best that we can to represent the interests of the American people. And one of the aspects of this whole bailout which bothers me very, very much, is that all over this country the American people know what a lemon it is. They know that with the $290 billion deficit, and with people in this body talking about cuts in Medicare and Medicaid and nutrition programs for the elderly and for the children, that it is absolutely insane to be talking about putting $40 billion of American taxpayers' money at risk in this bailout.

It is not often in my view, as the only Independent in the Congress, that actually the Congress hears the needs of the American people. But guess what? On this particular instance, the Congress, the Republicans, the Democrats, the Independent, heard what the American people were concerned about and made it very clear that the U.S. Congress was not going to support the Mexican bailout.

So some of us last night, we were saying hey, every once in a while we actually win a victory. It looks like we are going to win this particular fight.

But lo and behold, guess what? So what if many of the vast majority of the American people do not want the bailout? So what if the vast majority of Congress does not want the bailout? I guess the Wall Street Journal, the major corporations and the major banks in America do want it. So, hey, if it is between the American people and the Congress on one hand, and the corporate world and the banks on the other hand, which way are we going to do?

So what the President does, which is really disturbing, I would have been disturbed if Congress had voted for the bailout. But I could have lived with it, just as I had to live with NAFTA. But the idea that the President circumvented the Democratic process, pulled out some ancient, arcane law which ostensibly gave him the authority, is very, very disturbing. And I frankly think those of us in Congress who are concerned about this issue have got to deal with that statute and make some changes to it.

Mr. DEFAZIO. Well, I appreciate the gentleman's comments there. I think it is certainly time to review this statute. It is obviously time to get some clarification from the administration on exactly what authority they believe they do have. Are there no limits? We are now pledging $20 billion to Mexico. Is there no limit? What if the $20 billion is not enough? Credible analysts came before our hearing, unlike the playacting hearing put on by the Committee on Banking and Financial Services, but a hearing where we invited people who had differing views from the administration and the bailout artists, and said ''No. $40 billion will not be enough. Mexico is such a basket case, if you are going to tie the U.S. dollar to the Mexican peso, you better be prepared to defend the U.S. dollar against a run by the Japanese and the Germans and others, because they do not think this is a very smart thing to do.'' They said, ''You can expect to be talking about $150 billion, not $40 billion dollars.''

So this stabilization fund, will the President next week announce that well, the $20 billion was not enough, and now we are going to go for another $50 billion or $100 billion?

□ 2120

Where does this money come from? As you said, we have a $200 billion deficit, where does this money come from?

Mr. SANDERS. I think the gentleman and gentlewoman might agree that if we were talking about loan guarantees, it might be appropriate to talk about loan guarantees right here in the United States of America. Can you imagine how many decent paying jobs we could create right here at home rebuilding our economy, both the public sector and the private sector, if we had loan guarantees right here. But apparently, uplifting the poor people of America—I always get a kick, I get a kick out of hearing how good it would be for our economy if we can improve the standard of living of Mexican workers. I happen to be very strongly pro-Mexican and very concerned about the problems and the poverty that exists in Mexico, and we all want to uplift the Mexican people.

But how ironic that that same argument is not used here in the United States of America. Fourteen percent of our people live in poverty. Now maybe if we invested in a jobs program, maybe if we rebuilt our cities and towns and our infrastructure and provided decent jobs for our people and uplifted them, maybe they would also be able to purchase the goods and services that right now corporate America wants to sell to Mexico.

But apparently that is a very, very radical idea to suggest that we might want to uplift the poor people in America rather than the poor people in Mexico.

Mr. DEFAZIO. Did not the gentleman identify an article yesterday that said that because of the economic straits that our country is in that we are going to have to lower the loan guarantees made available to small businesses in this country?

Mr. SANDERS. The small businesses.

Mr. DEFAZIO. In my State the thriving growth of the last 20 years has come from small businesses. We have had a few big corporations move in, but generally we can identify most of the growth that is coming in. Now we will have to cut back on loan guarantees for small businesses in America while we, for example, extend $40 billion to Mexico.

Mr. SANDERS. The gentleman is quite right. That was in the Washington Post, I believe, yesterday. It dealt with the Small Business Administration, that is correct.

Mr. DEFAZIO. That is extraordinary. So somehow, I guess small businesses in the United States are not a good risk or we just cannot afford them, even if they are a good risk. And so we are going to have to cut back on that extension of credit. But a regime in Mexico, which has had three major financial crises, essentially two previous defaults in the last 12 years, which is an authoritarian regime which has lowered the standard of living of its own people by 25 percent in the last decade, which has, however, created 24 billionaires in a mere 7 years, is somehow a great credit risk. And there is nothing to worry about. But American businesses, well, I am sorry, we cannot afford to extend that kind of credit to American businesses. We are just going to have to cut that program back, and we are also going to cut our loans, rural electrification loans and other things.

We do have a budget crisis. I agree. It is time to get it under control. But how is it that suddenly, when we have to bail out the savings and loans, we can do it off budget; when we have to bail out Mexico, we can do it off budget. But if it goes to average American people and their concerns, their small businesses, their livelihoods, their education, we are broke.

This is a strange parallel to me.

Mr. SANDERS. The other irony, I think, perhaps the interesting irony in this whole affair is that I personally happen not to be a great believer in the free enterprise system for many reasons. I do respect people who take a risk and, having taken that risk, if they do well, they earn a whole lot of money. I think that is okay. But when you take a risk by definition, there is a chance that you may lose. I find it really outrageous that the people who invested in Mexico, especially after the NAFTA agreement, they invested a whole lot of money, and they expected a high rate of return. Well, things did not turn out the way they expected. That is unfortunate.

But in Vermont, small businesses are having very great difficulty, family farmers, workers, having very great difficulty. And yet they do not have the U.S. Government guaranteeing their investment. What a wonderful world it is for Wall Street investors. It is heads, I win; tails, you lose. Heads, I win and get a large rate of return from my investment in Mexico or tails, you guarantee my investment. Sorry, the American taxpayer.

So they make these investments. And then they come crawling into the Congress and say, gee, Congress, gee, Mr. President, we very, very wealthy people may have to lose some money. That is unacceptable. We are very wealthy. We are not supposed to lose any money. So you ordinary Americans, average taxpayers, workers who may have seen your jobs go to Mexico, we want you to bail us out.

And the leadership of the Republican party and the President and Mr. Greenspan say, well, that makes sense to us. Hey, that is a good idea. We will guarantee your investments.

Oh, that the average American small businessperson had that type of support behind him or her.

Mr. DEFAZIO. I think a lot of our colleagues are not aware of the fact that a lot of these short-term tesobonos that the Mexican Government cannot turn over are paying rates of interest between 21 and 50 percent. Now, I do not know, but if someone offered me a 21 percent rate of return on my modest savings, I might say, is there not a risk. That seems like an awful high rate of return.

If they said, no, Congressman, do not worry about it, there is no risk at all, I think maybe I would make a few phone calls. But the Wall Street people, the Goldman Sachs firm, which is into Mexico for $25.2 billion over the last 3 years, and others, said, oh, no, this is an emerging economy. There is no risk. This is just sort of like the United States except the people speak Spanish. There is no risk down there. Do not worry about the government. They just had an election.

Well, they had an election 6 years ago. The party that lost won, and they were the one we liked the most. And this last time the party that we liked the most, well, they won again. They may have fixed the election, but they always win, so there is no risk. They do not allow people to organize, labor unions. And if they do organize the labor unions, do not worry, we also control the judiciary because we do not have an independent judiciary in this country. And the judiciary will take care of those pesky people trying to drive up wages there in Mexico. So we will keep wages down there even lower than we can drive wages in the United States so your investment in Mexico is totally safe.

This is what is extraordinary to me, that we have allowed this thing to spin so far out of control, that we get sold such a bill of goods. Not you and I, since we voted against the NAFTA agreement, but so many of our colleagues. And now we are going to go to this extent to cover some very prestigious fannies around here and extend $40 billion of our taxpayers' money to bail them out. They could not get it through the Congress, to the credit of this institution. But now they are going to find another way to do it.

Mr. SANDERS. I think at this point maybe some Americans are wondering what they can do about this fiasco. I think the iron law of politics is that government will often try to get away with as much as they can until people stand up and say, sorry, you are not going to do that.

So I think I would speak for you and many Members of Congress who are saying to the American people, we have enough problems at home. We have a $200 billion deficit and a $4.6 trillion national debt. We do not think it makes a lot of sense within that context to be bailing out an authoritarian and unstable government and a very shaky economy in Mexico. I would very strongly urge the American people, write to the President, write to your Members of Congress and say, wait a second. We want you to stop this $40 billion bailout.

So I would hope that the American people would stand up and say, no, Mr. President, no Republican leadership,

let us reinvest in America. Let us control our own deficit. I hope we do not take this lying down.

If people stand up and fight back, we can yet turn around this fiasco.

Mr. DEFAZIO. I thank the gentleman.

I think these are an extraordinary couple of days in the history of this republic. The House of Representatives and the Senate did stop the bailout of Mexico or at least indicated that they were not willing to go along readily. That was great. But now we have seen an end run around the Congress of the United States with the creative interpretation of a statute and another way to send $40 billion out the back door that Congress would not let go out the front door. Yet again the Federal Reserve is going to meet tomorrow to try and visit another catastrophe on the American people, to raise interest rates, to banish the threat of inflation that does not exist.

□ 2130

There is a 30 year low in terms of inflation statistics to drive up unemployment. That is the policy of the Federal Reserve.

Did this Congress authorize the Federal Reserve to drive up unemployment? Are those the underlying laws and statutes in the United States, and is that the authority which extended to the Federal Reserve: You are charged with driving up unemployment because we do not want to see wages go up, we don't want people to make a better standard of living?

That is not what I got elected to do. I believe there are some extraordinary questions here, and they all seem to come back to the same very small influential group, the Federal Reserve, a few people on Wall Street and some people in the administration, some of whom used to work on Wall Street very recently, earning up to $26 million a year advising their company to invest $5.2 billion in Mexico, and now want to bail out Mexico.

These are extraordinary times, and the people should be very attentive to what is going on here.

Mr. SANDERS. Mr. Speaker, I say to the gentleman from Oregon, [Mr. DEFAZIO], what especially distresses me, as the gentleman knows, in this last election only 38 percent of the American people bothered to vote. I think the reason for that is so many people are just shaking their heads and shaking their hands and they are saying, ''Hey, I really have no power. I have no authority.''

With this whole business, what this whole business indicates is that we can understand why people are giving up on the democratic process, because here we have, for once in a very long time, the Congress of the United States actually doing the right thing and saying no to the bailout, and yet we still cannot win.

So next time when we run for reelection and we go back home, people are going to say, ''What difference does it make? You are trying to do a good job but they are going to go around you anyhow. You do not have enough power to represent ordinary people.''

I think that is a very sad thing at a time when many of us, I know the three of us, are reaching out. We want working people and we want poor people and we want the elderly to get involved in the political process.

This action on the part of the President just discourages, I think, millions of people who say, ''Hey, it does not make a difference. Wall Street has made a demand and the President has succumbed to it, and it does not matter what ordinary people think about it.''

Mr. DEFAZIO. Mr. Speaker, I yield to the gentlewoman from Ohio.

Ms. KAPTUR. Mr. Speaker, I just want to say what a pleasure it has been to participate in this special order with both gentlemen this evening, and to also mention that part of the reason we doubt this rescue package is simply because people like myself believe that the markets are being manipulated by those who have a great deal of power.

In Mexico, for example, we know that both the government of Mexico and our own Government knew that the peso was overvalued. We tried to get it dealt with in the NAFTA agreement itself. They tried to prop up and they did prop up the value of the peso right before the Mexican election in August, and right after the election the peso began to drop in value.

Then we had the GATT debate here in Congress, and right after GATT passed the peso went through the floor. So we know that that government manipulates the value of its money. Knowing that, we know we are now being manipulated; that much of what we see happening is being done to benefit the very same financial interests that created the overinflated peso during the 1993–1994 period. There is a lot of money on the line for many of these private interests.

My point with them is when, especially for those interests in the United States which made over a 66 percent return on their emerging market funds since 1990, you greeted those gains and profits with smiles and parties in New York and boat parties off the docks and all the things that happened with a 66 percent return, while interest rates for average American families were going up at the same time as you ate your profits, now is the time to eat your losses. The private market is a very harsh referee, but you have to accept the market, both in the ups and the downs, and not come running to the taxpayers of the United States for some type of private or public relief for private actions.

I just want to thank the gentleman for participating in this special order this evening, and to say what makes it worthwhile serving in the Congress of the United States. Though we don't always win, though we fight as hard as we know how, it is only bearable because of the people who send you here and because of the fine colleagues with whom you serve.

I would say to the gentleman from Oregon [Mr. DEFAZIO] and to the gentleman from Vermont [Mr. SANDERS] it is only worth serving because you are here, too. It has been a pleasure to be here with you.

Mr. DEFAZIO. Mr. Speaker, I thank the gentlewoman. I thank her for her leadership, and I can assure our colleagues that this is not the last they have heard from us on this issue, either on the Mexican bailout and the new attempts by the President to end run the Congress, or the Federal Reserve and their incessant increases in interest rates driving thousands of Americans out of work.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CRANE (at the request of Mr. ARMEY), for today, after 5:30 p.m., on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. TORRES) to revise and extend their remarks and include extraneous material:)

Mr. LIPINSKI, for 5 minutes, today.

Mr. MENENDEZ, for 5 minutes, today.

Mr. OWENS, for 5 minutes, today.

Ms. KAPTUR, for 5 minutes, today.

(The following Members (at the request of Mr. BARR) to revise and extend their remarks and include extraneous material:)

Mr. DUNCAN, for 5 minutes, today.

Mr. BARR, for 5 minutes, today, and on February 1.

Mr. KOLBE, for 5 minutes, today.

Mr. CHABOT, for 5 minutes, today.

Mr. KINGSTON, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. TORRES) and to include extraneous matter:)

Mr. SKELTON in two instances.

Mr. STOKES in two instances.

Mr. KLECZKA.

Mr. HOLDEN.

Mr. LANTOS.

Mr. MFUME in four instances.

Mr. JACOBS.

Mr. UNDERWOOD.

Ms. PELOSI.

Mr. MONTGOMERY.

Mr. RICHARDSON.

Mr. STARK.

Mr. TRAFICANT.

Mr. FAZIO of California.

Mr. TORRES.