United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 104th CONGRESS, SECOND SESSION

Vol. 142 WASHINGTON, THURSDAY, JUNE 20, 1996 *No. 92*

Senate

The Senate met at 9:30 a.m., and was called to order by the President pro tempore [Mr. THURMOND].

The PRESIDENT pro tempore. Today's prayer will be offered by our guest Chaplain, Rev. William B. Mann V, pastor, Our Savior's Way Lutheran Church in Ashburn, VA.

PRAYER

The guest Chaplain, Reverend William B. Mann, V, Pastor of Our Savior's Way Lutheran Church, Ashburn, VA, offered the following prayer:

Let us pray:

Ruler of all, we thank and praise You for this Nation which is our home. We thank and praise You for permitting this Nation to survive armed conflicts, cold wars, threats and rumors of war, and the uncertainties of this nuclear age.

We ask You to urge the leaders and the people of our Nation to pursue always the search for human freedoms. We ask You to bless with wisdom the lawmakers of our Nation, to regulate our Government that it will offer hope and freedom to all who swear allegiance to it.

Forgive us for our waste of natural resources, for the neglect of our own rights and the rights of others. Enable us to conduct ourselves honorably as citizens and to manage the affairs of Government sensibly. Permit this Nation to prosper and to fulfill Your purpose to the good of all. This we ask in the name of our Lord and Savior. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The able majority leader, Senator LOTT, is recognized.

Mr. LOTT. Thank you, Mr. President. Good morning to you.

SCHEDULE

Mr. LOTT. Mr. President, we had announced last night the intention to have a vote at 9:15, but the amendments that were involved in that vote were agreed to and were accepted on a voice vote, so it was not necessary to have a recorded vote.

This morning, the Senate, though, will resume executive session to consider the nomination of Alan Greenspan to be Chairman of the Federal Reserve Board. Under the order, there will be 3 hours of debate on the nomination, with the vote to occur at 2 p.m. today. Following that vote, the Senate will dispose of the remaining Federal Reserve nominees.

Also today, the Senate will resume consideration of S. 1745, the Department of Defense authorization bill. We did make substantial progress on the bill yesterday, and I hope we can continue with amendments and short time agreements during today's session as well. We would like to complete action on the DOD bill this week if at all possible. We will continue working through the afternoon with votes until early evening.

We will recess or leave for the day in time for an event at the White House tonight, and then we will, after consultation with the Democratic leader, make some announcement later today about exactly what will happen on Friday. We will be in session, and we will have to assess where we are as to whether or not there will be votes at that time.

Mr. President, I yield the floor. Seeing no Senator seeking recognition at this point, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. JEFFORDS). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DASCHLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE SESSION

NOMINATION OF ALAN GREENSPAN, OF NEW YORK, TO BE CHAIRMAN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to executive session to consider the nomination of Alan Greenspan, which the clerk will report.

The assistant legislative clerk read the nomination of Alan Greenspan, of New York, to be Chairman of the Board of Governors of the Federal Reserve System.

The Senate resumed consideration of the nomination.

The PRESIDING OFFICER. There are 3 hours of debate equally divided.

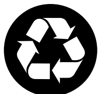
The minority leader is recognized.

Mr. DASCHLE. I thank the President, and I wish him good morning.

Mr. President, let me begin by commending the distinguished Senator from Iowa, Senator HARKIN, for demanding our careful consideration of the nomination of Alan Greenspan for another term as Chairman of the Federal Reserve Board. The Senate has the duty and the obligation to thoroughly review the record of any nominee to such a key post. No one has met that obligation more consequentially than has Senator HARKIN, or has made a greater contribution to this debate.

This debate over Federal Reserve policy, while seemingly distant to many Americans, actually affects the lives of every American family. It affects families trying to buy a house or to make a payment on one. It affects families trying to buy a new car, farm families trying to get a loan to put in next year's

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.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crop, small business people trying to get a loan to operate their businesses for yet another year. Even more fundamentally, it affects whether millions of Americans will have a job at all and whether those without jobs can find one.

In judging nominees for the Federal Reserve, their records are the most important factor to consider. Despite some reservations, I believe Mr. Greenspan's performance justifies his reconfirmation.

Congress has mandated that the Federal Reserve conduct its monetary policy to ''promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates.'' We must judge Mr. Greenspan by how well he has fulfilled this mandate and, I must say, his record is mixed.

Back in 1990, under the direction of Chairman Greenspan, the Federal Reserve failed to act quickly enough in lowering interest rates when a recession hit in the summer of that year. Recently released transcripts show that as late as October, Mr. Greenspan still insisted there was no recession. The Fed's failure to understand and respond to the recession made it last longer and run deeper. That recession hit farmers and families in my own State of South Dakota especially hard.

Thankfully, the economy turned around in 1993, and it has remained strong and steady ever since, with inflation remaining under control. That sustained recovery grew out of the President's economic plan of that year, and that plan passed Congress, I remind all of our colleagues, without a single vote from the other side.

While Democrats in Congress and the President led the 1993 fight for the economic plan, Mr. Greenspan helped that plan realize success. He offered encouraging words during the plan's consideration, which helped it gain credibility in the financial markets.

Following its enactment, the Federal Reserve kept interest rates down for a while. As Mr. Greenspan noted later:

> The actions taken [in 1993] to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and easing pressures on long term interest rates.

So the results speak for themselves. Since 1993, nearly 10 million jobs have been created. These are nearly eight times more private-sector jobs than were created during the entire Bush administration. These are not just any jobs: more than two-thirds of them are high-wage positions—the kinds of jobs you can raise a family on and plan for the future.

Along with jobs, the overall U.S. economy has grown steadily. Again, the Democrats' 1993 economic plan sparked a real turnaround. During the previous 4 years, economic growth averaged just 1.3 percent. But since 1993, the economy has grown by more than twice that rate, averaging more than 3.2 percent each year.

We have cut the deficit in half in the last 4 years. As many of us remember, the deficit stood at a whopping $290 billion in 1992. This year, we have cut the deficit to $130 billion, according to the Congressional Budget Office. Our plan created 4 consecutive years of deficit reduction for the first time since the 1940's.

It remains an open question whether Mr. Greenspan's more recent policies have raised interest rates too high again. Few people realize that in 1 year, from 1994 to 1995, Mr. Greenspan increased the Federal funds rate seven times. In fact, his actions helped to double interest rates over that period of time.

Here are the figures: In February 1994, the Federal funds rate was 3 percent; in February 1995, it doubled to 6 percent. Every homeowner, every farmer, probably most Americans, know what doubling interest rates can mean. Since that time, despite any indication that inflation was threatening to rise, the rate has dropped by only three-quarters of a point, to 5.25 percent.

Senators HARKIN and DORGAN have made a good case before the Senate that Mr. Greenspan has tended to place a higher priority on fighting inflation than creating jobs.

Mr. Greenspan needs to reconsider whether by lowering interest rates the economy could expand more quickly without triggering inflation. Indeed, a number of prominent business leaders and economists argue that unemployment, currently at 5.6 percent, could be pushed to as low as 5 percent without affecting inflation at all. Taking this step would generate an additional 600,000 jobs. This strikes me as a plausible and worthwhile goal which Mr. Greenspan and the entire Federal Reserve should take very seriously.

After all, jobs are a critical part of the Federal Reserve's mandate. Jobs also top the list of priorities for most American families. Jobs are certainly on the top of the list of every member of the Democratic caucus.

I am deeply concerned that many of our colleagues on the other side, led by the distinguished Senator from Florida, Senator MACK, and our former colleague, Senator Dole, have proposed dropping jobs as a Federal Reserve priority. The Federal Reserve generates perhaps the most important economic policy decisions of this country. To remove jobs from their mandate would prove devastating to American workers.

The Mack-Dole bill would limit the Fed to considering only inflation when making its decisions. It directs the Fed to ignore unemployment and focus solely on price stability. Imagine putting this question to a family sitting around a kitchen table: Do you think the most powerful economic institution in this country should be more or less concerned about creating jobs? You can bet the family would say, ''Focus more on jobs—more on jobs—not less.''

Clearly, one powerful group places a higher priority on controlling inflation than on promoting economic growth. Wealthy investors, wealthy bondholders are hurt far more by small increases in inflation than by increases in unemployment. They are the major constituency for an initiative of this kind. I believe the Fed should pay more attention to working families who are feeling a growing sense of economic insecurity in this country.

While the statistics I have outlined show a strong economy, when I go home I hear a lot of anxiety from farmers, small businesspeople, and families just trying to make a living wage. In fact, wages have stagnated for many middle-class working families. Every year it seems harder and harder just to make ends meet.

The simple fact is that if there is a crunch out there, it is the Fed's crunch.

We need a Federal Reserve to serve as an ally, not an opponent, in the fight for more high-wage jobs. If we really mean to raise living standards and fight for higher wages, the Federal Reserve should consider lowering interest rates now, this year, this month.

But monetary policy is only one part of economic policy. Democrats in Congress are promoting an agenda that goes even further to address the insecurities so many people rightly feel today.

We are fighting for paycheck security, starting with raising the minimum wage now.

We are committed to health security and to controlling health care costs that are eating up workers' compensation gains.

We are developing a legislative package to promote retirement security so that economic security can last a whole lifetime.

At the same time, we have a plan to balance the budget without damaging the economy and without hurting those who need help the most.

As Mr. Greenspan himself advocates, we must continue to invest in education, training, and technological development. The Democratic plan makes those investments in America's future.

On balance, Mr. Greenspan's successful partnership with us in the wake of the 1993 plan merits my support for his reconfirmation. As he himself has noted, the 1993 economic plan ''was an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter.''

Still, he should take heed of the arguments made so effectively by Senators HARKIN and DORGAN that he needs to do more to promote economic growth. Our goal must be to extend the economic recovery to all Americans—not just the stock and bondholders of Wall Street, but the families and the shops on Main Street.

Essentially, the record of the past 4 years shows that we have created economic growth and jobs. I can support

Mr. Greenspan's nomination, but with the caveat that jobs should remain as one of the Fed's top priorities. The hard-working people of this country deserve an agenda that continues to raise their standard of living. That ought to be the responsibility not only of the Congress, but of the Federal Reserve Board as well. I yield the floor.

Mr. REID addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. REID. One of the things that mystified me in regard to the work that we have done——

The PRESIDING OFFICER. I am sorry to interrupt you. The Senator from Iowa controls the time.

Mr. HARKIN. I yield whatever time he may consume to the Senator from Nevada.

Mr. REID. I thank Senator HARKIN.

One of the things that has mystified me during the work I have been involved in and the study by the General Accounting Office has been the lack of attention by the press and others about what we have found through the General Accounting Office regarding how the Fed is run.

Senator HARKIN, Senator DORGAN, and others, have talked a lot about monetary policy. I respect them and join with them in those statements.

But what I want to talk about today again for a few minutes is what the General Accounting Office found in their study of the Fed. Mr. President, if I were on the Senate floor talking about one of the Federal agencies having overspent their budget, there would be cries for an investigation.

Let us take a closer look. If you really look at what the Fed has done, it is not just a question of overspending their budget, it is a question of their spending being uncontrolled.

For example, within the Fed itself you are reimbursed for travel in many different ways. Unlimited travel expenses are reimbursed. You have a foyer going from a few thousand square feet to 20,000 square feet. That is just the entry room to one of their buildings. There is nothing in it except marble.

The General Accounting Office only peeked at their perks. But what they did find when they took a peek is that, for example, in the Fed system you can get a security system. You know, their vice presidents have them, vice chairmen have them. They have security systems for reasons I do not understand. Some of them have door-to-door travel.

We do not, I indicate again, Mr. President, know exactly what they have. A preliminary report that was issued by the General Accounting Office, their final report, only confirmed further what is going on at the Fed, but nobody seems to care. If this were an agency of the Federal Government or State government, people would be raising their hands.

One of the big things they are looking at now on the House side—it has not hit here yet; I assume it will—is whether Members of Congress, when they go to receptions, sit down and eat a sandwich. If they do, it is a violation of the rules. If they stand, it is OK. If you sit, it is not. That is what we are looking at here. With the Fed, they can do whatever they want to do. It is not a question of sitting or standing. They can do just about anything they want to do.

The Fed operating costs have grown considerably: 50 percent between 1988 and 1994. Salary costs increased 44 percent, travel costs increased 66 percent during that same period of time, but nobody seems to care.

This is an organization that has no oversight. This is an organization that does not have an annual audit. This is an organization that keeps $3.7 billion in a trust fund, a slush fund. They call it a rainy day fund. Why? They said, ''We might need it sometime.'' In 79 years, they have never needed it. The $3.7 billion should be returned to the Federal Treasury. They still have the $3.7 billion. No one seems to much care that they have the money stashed away.

We are going to begin markup of this year's appropriation bills over in the Senate. We are going to get our allocation and then look at military construction and then the defense spending bill, maybe foreign operations. We are going to be fighting for dollars just for little projects. I have a project for $55,000, but we will have trouble funding it. It is extremely essential to saving a lake in Nevada, extremely important to an Indian tribe in Nevada. We probably cannot get that money. Yet, the Fed has $3.7 billion there for no purpose, and nobody seems to care.

The final report of the General Accounting Office, Mr. President, was issued yesterday. ''The Federal Reserve System: Current and Future Challenges Require Systemwide Attention.'' They are not going to have any ''systemwide attention'' because Members of this body do not seem to care about what is going on at the Fed. This final report issued yesterday confirmed everything found in the preliminary report.

The real news here, in my opinion, is the Fed's unwillingness to accept any of the recommendations made by the independent study. The report demonstrates the absolute arrogance of a tremendously powerful entity that believes it is unaccountable to mere taxpayers. It has every reason to believe that it is unaccountable, because it is.

The Fed has chosen to reject these recommendations. That is their prerogative. We, as a legislative body, have let them get away with it. It is really just a rejection of taxpayer requests, that is all.

The Fed may think they need not bother themselves with these requests from the taxpayer for greater efficiency, and it appears maybe they are right. It is obvious that those of us who believe this nomination should not go forward, we are going to lose, but we are gaining ground. We are going to get more votes than last time. I know that, because I am one of the people that is going to join those who feel that the Fed needs some direction change.

We are not going to go away quietly. We are going to say our piece here today, and then we are going to come back in the weeks ahead with legislation. We are not going to wait until the next nomination process comes through. We are going to go through with the legislation, and we are going to continue.

We are going to call for an annual audit. We are going to call for some of the things that the General Accounting Office thinks should be done. We are going to keep talking about this until the American public gives other Members of this body and the other body the backbone to go forward and do something.

Taxpayers, and I believe this Congress, should no longer tolerate the inefficiency, the mismanagement, and questionable accounting procedures of the Fed. I repeat: inefficiency, mismanagement, and questionable accounting procedures.

Greenspan and the Fed have an unlimited budget. They can spend money however they want. There is no oversight, no investigations, no audits. Budgets can be exceeded within house. What difference does it make? They control the money.

We have heard numerous times that the Fed has said, ''We will put the brakes on the economy.'' I think we should put the brakes on the Fed. That would be the better way to approach this.

Also, the General Accounting Office talks about conflicts of interest, talks about how they let contracts. I repeat, if this were done in the private sector or in another agency of Government, it would be scandalous. But the Fed just does it and turns their head the other way and goes on with their business.

The report raises the legitimate questions about fiscal management within the Fed. Important questions need to be answered, and they have not been answered. They have been requested, but they simply do not answer them, just like they did not answer most of the questions that the General Accounting Office presented.

This report is about ensuring greater accountability to the American taxpayer and improving fiscal responsibility. The Fed has pocketed $3.7 billion in taxpayer money. It claims this quietly held fund is necessary to cover systemwide losses that it has never had and never will have. In its 79-year history, the Fed has never operated at a loss. Excessive salaries increased by 44 percent; 120 top Fed officials earned more than the Chairman in 1994, increasing excessive expenditures; benefits increased by 89 percent since 1980 and were found to be more generous than any other Federal agency; travel expenses, I repeat, increased by 66 percent.

Board members travel in high style, to say the least. Travel reimbursement policies vary from bank to bank, and they are permitted to reimburse either on a per diem or actual costs basis. There is no conformity, no uniformity. A uniform travel reimbursement policy would unquestionably yield greater savings to the taxpayer.

Mr. President, as far as I am concerned, the most important thing is the need for an independent audit. To date, there has been no comprehensive audit of our central banking system. We need permanent annual independent audits. There is a double standard. This report demonstrates the double standard that is practiced by the Federal Reserve. While counseling others to decrease their spending, the Fed has increased theirs.

I conducted a meeting. Mr. Greenspan was there, and he was asked the question: What is the most important thing to do? Cut spending. I guess for every place except the Fed, because while we have cut and hacked away at these budgets coming through here, theirs has done everything but balloon up and fly away. They are bloated. They are gluttonous.

Congress heeded the advice of the Fed and took painful but necessary steps to get the deficit under control, but they did not. The Fed staffing grew, while the rest of the Government shrunk by 2 percent. We tightened our fiscal belts, and the Fed sat down to enjoy all you can eat, in response to the report, that ''we are not interested, we will run our own show, you leave us alone.''

The Fed has powerful defenders willing to turn a blind eye to any criticism. This General Accounting Office report provides a tough prescription that some may find hard to swallow. But I believe the alternative to treatment is simply an unfair cost to the taxpayer who would continue to be forced to pay.

I yield the floor and express my appreciation to the Senator.

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER (Mr. INHOFE). The Senator from New York.

Mr. D'AMATO. Mr. President, I want to point out that I think when the Banking Committee considered the nomination of Chairman Greenspan some 4 years ago, there was only 1 vote cast in opposition to Mr. Greenspan. That opposing vote was this Senator. There were no other votes cast against him.

So I rise today to say that I am pleased that the concerns that I had with respect to Chairman Greenspan were proven to be wrong. The Chairman has done a most diligent job—in spite of the failure of the Congress to address the problems of the people of this Nation in a forthright, intelligent way, as it relates to dealing with our spending.

Throughout his tenure, the Chairman, even during turbulent political times, has remained constant and true. Some can be critical—regardless of whether the Congress is in control of the Democrats or Republicans, or split, or regardless of the stewardship of the Presidency, be it Republican or Democrat. However, absolutely essential to the well-being and the economic growth of this country was a necessity to reduce our deficits and to demonstrate that we were going to do this for real, not with make-believe numbers, because we have seen that too often.

Indeed, I remember well the years 1979 and 1980, with inflation rates that made it impossible for small businesses and entrepreneurs to invest in plants or equipment and working middle-class families to purchase homes. I recall fear, consternation, panic. Chairman Greenspan understands and remembers well the lessons of that inflation. It was devastating to the morale of the people of this Nation, to our economic well being, and to our leadership at home and abroad.

With that in mind, he has kept a steady hand at the wheel, instead of taking the politically expedient course of saying: Slash the discount rate. Slash it and let us pump up the money supply and, with that action, create doubts in the domestic and global business community about our resolve against inflation. These doubts will result in the kind of inflation where they used to change the prices of the canned goods so fast they would put one sticker on top of the other. Today, they would not do that. You would not even know they were doing it because they would do it by way of the computer markings. But in the late 1970's, people saw those price changes, felt their effects, and understood the results. I hope we have not forgotten those lessons.

In the late 1970's and early 1980's, prime interest rates were over 20 percent. Who could buy a house? That is the kind of thing we can very easily have today if the Federal Reserve overreacts. What experts does the Congress have who are talking about slashing the interest rates? The politicians who want to go home and say, ''We are going to give you everything for nothing.'' Why do we not cut the discount rate to 1 percent? How about a half-percent? How about a quarter percent? It is now about 5¼ percent. I will tell you what will take place if interest rates are unnecessarily cut while the economy is near its productive capacity. The cuts will fuel a speculative market, inflation and long-term interest rates will soar and young people who want to purchase homes will not be able to buy them.

Mr. President, I am going to make some more remarks. I know the chairman of the Budget Committee is here and he has a very difficult schedule. I believe he would like to speak. I am ready to yield the floor to my distinguished colleague for as long as he wants so that he might make some remarks. But I intend to come back to this debate.

Let us not hold responsible the Chairman of the Federal Reserve for our failures, the failures of the Congress of the United States to address the problems we have. Congress wants to be all things to all people, and never wants to cut anything. Members of Congress want to spend and spend, and then come into this Hall and say that the reason we are having the slowness in economic growth is because Alan Greenspan, in a mean-spirited or shallow way, does not want to cut the discount rate. If you really believe cutting the discount rate is going to solve all of the problems of the Nation, let us cut it. I have not heard people come forth and say that is going to be the answer. I have not seen any economists of any note say that is going to create long-term economic growth. I mean, this is nonsense—absolute, pure pap.

I have to tell you something. If you are really going to get down to saying, let us not confirm Mr. Greenspan because economic growth has not been fast enough, that would be like saying that the Chicago Bulls should not re-sign Michael Jordan because the Bulls did not beat Seattle fast enough by sweeping Seattle in four games. That is nonsense for the Chicago Bulls, and not confirming Chairman Greenspan would be the equivalent.

We have steady growth now. We have not had the kind of cycle that many have predicted because the economy is in the steady hands of someone who has not yielded to the expedience resorted to by many in politics.

I yield the floor.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Mr. President, I may speak for a shorter period of time than I thought. My voice seems to be having a little trouble today. Mr. President, in a few hours, the U.S. Senate will confirm three appointees to the Federal Reserve Board. I am very confident that we will do that. We will do it because, to do otherwise, would be foolhardy.

First of all, I am delighted to take this opportunity not only to speak on behalf of Alan Greenspan's renomination as Chairman of the Federal Reserve, but to congratulate him on a masterful job in his previous term—most recently, guiding the economy into the sixth year of expansion.

While many will try to take credit for the upbeat economy right now and for its consistency, I believe it is a reflection of the anti-inflationary policies, which began under Paul Volcker and have continued under Alan Greenspan. Let me repeat. I believe no institution, including the Presidency, including the Congress, deserves more credit for the 6 years of sustained growth in this economy than the Federal Reserve Board, headed by Alan Greenspan. By keeping inflation low, businesses and households alike are able to make investments and savings decisions with greater certainty, permitting more efficient functioning of

the economy. Households have been spared the tragedy of having inflation erode their savings nest eggs, while countless home buyers have benefited from lower long-term interest rates which have followed the Fed's disinflationary policies.

Of note, the Volcker/Greenspan tenure has seen economic growth in 12 of the last 13 years. Furthermore, Chairman Greenspan has played a very important role in enhancing banking regulation, ensuring that depositor safety is maintained in the midst of sweeping technologic breakthroughs in electronic banking, smart cards, and home banking.

I am somewhat amazed by Chairman Greenspan's critics, who argue that he is responsible for the low 2.1-percent level of trend economic growth. Now I am as intent upon boosting long-run growth as anyone here. But, it is important to realize that the solution to this long-term growth, which we want, and a higher rate of GDP growth than we have had, does not rest with the current Fed. Numerous academic studies have shown that the best way for central banks to boost growth is by targeting price stability. The United States is already very close to price stability right now, with inflation at or below 3 percent for the last 4 years. As such, there is little more that the current Fed can do to boost long-run growth further. The same was not true in the mid to late 1970's, when rampant inflation was having negative impact on investment and savings decisions. Such economic turmoil prompted a switch in 1979, from an easy money policy to a strong anti-inflation regime under then Chairman Volcker, followed by Chairman Greenspan. This switch brought inflation down over 12 percentage points in 6 years and gave rise to the second longest expansion this century during the 1980's. However, it is this very successful policy of reducing inflation that Chairman Greenspan's critics would change, and charge him with doing less than a good job. This is ironic since excessive monetary easing now would actually harm growth, not enhance it as some will claim. With the economy at full potential, an easing now would only provide a short-run boost, before inflationary pressures resurfaced. This would necessitate subsequent tightening and economic slowdown. It is precisely this type of feast or famine monetary policy that injects economic uncertainty and constrains long-run growth and causes a rollercoaster in the economy instead of sustained growth over long periods of time.

We want more growth. I do, and I talk to more and more people, and they all seem to think we should have more growth than the 2.1 to 2.3 percent GDP growth of late. Just as an explanation, our gross domestic product is like a big pie, perhaps a big cherry pie. What happens is when the pie is getting smaller, you have a recession. When it is growing, you have more jobs, better pay, more resources to split and divide among the various activities, including our working peoples' salary paychecks. This must grow or we have stagnation.

Mr. President, 2.1 to 2.2 percent added to that cherry pie is not sufficient. But what we must do is to urge that the Federal Reserve do just what it has been doing and then we, as policymakers, must do at least four things.

First, we must balance our budget within a reasonable period of time; stop using up the savings of the American people to pay for the debts of our country, rather, making it available for growth and to enhance productivity.

Second, we must throw away the tax policies of today. Throw out the tax laws and start over with a brand new set of tax policies that are progrowth, proinvestment, prosavings—simpler, easier to administer, and not so onerous on American business. We must cut taxes wherever we can.

Then we must take a serious look at all the regulations in the country, and where we find regulations that are not needed, take those burdens away from the economy, thus making room for growth.

And last, we must totally reform the education system of America. There is no question that the education system is not working. There are many who are not getting educated sufficiently for the jobs of today. There are many who need retraining, reeducating. The system seems to be floundering.

I think, just as we need a reform in fiscal policy, we need a reform in education so we can do a better job of helping people get ready for jobs in this economy. I note just today in the paper that some companies are paying a bonus to attract people to come to work in the beginning jobs in our economy, the startup jobs. We need to do a better job of training people, getting them educated enough to take the jobs and then move up to better jobs.

So, it seems to me, we should not say to the Federal Reserve Board: You should do all this and cause the growth, with the obvious problem that that can produce superinflation. We have seen it. We saw the day, in the waning months of the Carter administration, when, if you went to a grocery store you would see, right in the aisles of the grocery store, people changing the prices of food every day because inflation was so high that they had to have their clerks changing prices every single day. That was happening throughout the economy.

America needs low inflation to have sustained economic growth. America does not need a Federal Reserve Board that loosens up the money supply to invite inflation, or pushes interest rates down when they do not belong any further down, just for the sake of a spurt in growth only to be followed by very, very negative impacts on our people.

So, instead of blaming the Federal Reserve, we ought to look clearly at ourselves. We ought to look at what we spend our money for, how much we tax our people. Are we spending enough of the tax dollar in productive activities or are we spending it just exchanging money between our citizens? Do we have an education system that is feeding into our production machine students of all ages ready to take the jobs that we have today, with retraining and high skills being required? Do we have regulations that are too severe, that are not worth the costs that we are imposing?

If we were to do this for ourselves, none of us would be here looking for excuses by blaming the Federal Reserve Board that has caused 6 years of sustained growth, has gotten rid of the roller coaster, gotten rid of the idea that once you have growth you have to have a precipitous downturn that goes way down and lasts for a while. This Federal Reserve has slowed those peaks, which I think is worth a huge amount to the average working man and woman in America.

So, today, I am hopeful in a few hours from now we will overwhelmingly support Alan Greenspan. I will put my remarks in the RECORD regarding the other two candidates, whom I will support. I do not know their effectiveness as Federal Reserve Members because they have not been there. But it does appear to me the President has chosen two others who will, in complement with Alan Greenspan and the others, make a good team to keep America on the right path.

At present, the Fed's main challenge is to preserve low inflation and to keep the economy as close to its potential growth as it can. By doing so, the Fed can ensure that any economic downturns are mild and short-lived. Greenspan has succeeded in this regard, keeping the 1991 recession very shallow, despite widespread pressures in the banking sector. In fact, unemployment rose to only 7.7 percent in 1992, well below the double digit levels seen in the early eighties. Furthermore, with a preemptive strike on inflation in 1994, he was able to achieve an economic soft landing in 1995. He removed any nascent inflationary pressures, allowed firms to pare back their inventory overhang without precipitating a recession and set the stage for continued trend growth of 2.1 to 2.2 percent in coming years.

For those who would still argue that the Fed should run an easier policy in efforts to boost growth, I recommend a trip down memory lane. Remember back to the 1970's. Twice during this period, inflation topped 12 percent in conjunction with oil price shocks. However, the primary driver of these sustained inflation gains was not commodity prices per se, but the Fed's reaction to them. In both cases, then Fed Chairmen Burns and Miller pursued easy money policies to cushion the economy from the impact of the oil shocks. While well-intentioned, such policies exacerbated the situation by

ingraining inflation expectations, driving bond yields above 13.5 percent, plunging the dollar, and discouraging investment. There were direct human costs as well. In addition to skyrocketing mortgage rates and the plunging value of private savings, real average hourly earnings fell 3 percent in 1974, and another 2 percent in 1975. After making fractional gains in the late 1970's, they fell another 2.9 percent in 1979 and 4.7 percent in 1980. Clearly, this is not a period upon which we can look back with any favor.

Economic studies have shown that such large inflation spikes do curtail long-run economic growth, because of the disruption to business and consumer savings and investment decisions. Recent crosscountry surveys have shown that a 10-percentage-point increase in inflation per year is consistent with a 0.2 to 0.3 percent lower per capita GDP. Other studies show even larger negative effects. This highlights the economic risks if inflation had remained at high levels into the 1980's.

With the economy on the brink of economic crisis in 1979, President Carter appointed Paul Volcker as Fed Chairman that fall. Realizing the gravity of the situation, Volcker tightened credit appreciably, using money supply targeting as his compass. While there was a painful period of economic adjustment during 1980–82, the situation would have been far worse had inflation continued to spiral out of control. Post 1982, the benefits of the Fed's policy soon became evident. The economy entered the second longest recovery of this century, which lasted from the end of 1982 to the middle of 1990 and the onset of Iraqi-United States military tensions. The economic statistics from the 1980's recovery are nothing short of remarkable. GDP growth averaged 3.7 percent—20.8 million jobs were created. Median family earnings rose over 10 percent. All of this occurred as inflation was finally brought under control, falling from 14.5 percent in 1980 to below 2 percent by 1986, and remaining at relatively low levels thereafter. Interest rates followed suit, with the Federal funds rate falling from highs of roughly 20 percent in 1981 to just under 6 percent in 1986. Indeed, the 1980's recovery might well have extended beyond 1990 had it not been for gulf war tensions and the savings and loan crisis.

There was another essential element to the 1980's recovery, as well, that I haven't mentioned yet. Under Ronald Reagan, we had a government that was committed to reducing the tax and regulatory burden on the American people. Via the tax reform acts of 1981 and 1986, individual effective income tax rates fell 13 percent. Such benefits were well dispersed—the lowest 40 percent saw their individual tax rates fall 31 percent between 1980 and 1990, while the top 40 percent saw a 9-percent decline.

As we entered the nineties, however, only half of the successful recipe for 1980's growth remained. We still had a Federal Reserve committed to low inflation under the tenure of Alan Greenspan. This ensured that growth would remain close to potential with minimal economic disruption. However, what we lost was the pro-growth, low tax, less regulation philosophy of Government. Instead, we inherited President Clinton's high tax, large Government approach. This combination has kept trend growth steady but artificially depressed.

In a reversal of Reagan's efforts to scale back Government intrusion in peoples' lives, President Clinton and congressional Democrats passed the largest tax increase in history in 1993. It saddled average Americans with higher gas prices and lower Social Security take-home benefits, it hurt businesses by altering deductions, and it boosted marginal tax rates for EITC recipients and higher income individuals alike. Thus, it is not surprising that productivity under President Clinton has averaged only 0.5 percent, well below the post 1973 average of 1.1 percent. Such meager productivity growth has kept real wages stagnant, giving rise to much of the economic angst which so many workers have experienced. Just to emphasize this point, real average hourly earnings were $7.40 when Clinton took office and are the same $7.40 today despite 3 years of growth during this period. Furthermore, real median family earnings were lower in 1994 than they were at the bottom of the last recession. The only one consolation is that President Clinton's massive Government takeover over the health sector never occurred. Had it materialized, I fear that productivity, savings, and standards of living would have been even worse than they are. For that, we have congressional Republicans to thank.

Lackluster productivity growth stresses the need for more substantive action on the part of policymakers. One effort that I have devoted enormous effort to is reducing the budget deficit. By bringing the budget to balance in 2002, CBO estimates that growth will be boosted by an additional 0.4 percent over this time period. It will free up savings for investment, it will allow citizens to keep more of their hard earned money, and it will boost standards of living—the overriding goal of all policy. Now some will say that President Clinton shares this goal too, and note that the deficit has declined since he took office. However, I would first call attention to the President's fiscal year 1996 budget, in which he proposed a deficit of $195 billion in the year 2000. He only hopped onto balanced budget efforts after the Republican Congress championed this issue.

Furthermore, I would argue that most of the current deficit reduction and economic growth has occurred in spite of President Clinton not because of him. If one looks at CBO's projection of the 1995 budget deficit when President Clinton took office and compares it to actual numbers, some interesting facts appear. A full 50 percent of this deficit reduction stems came from technical factors, notably from the resolution of the thrift crisis. Another 11 percent came from economic growth, a tribute to Fed Chairman Greenspan more than anything else. The remaining chunk stemmed from higher taxes and user fee hikes. Less than 1 percent came from spending cuts. Now some will argue that debate over why the deficit has fallen is just partisan sniping. Far from it, however. It is crucial to know how the deficit came down in order to assess whether it will stay down. The path of deficit reduction that I have just described does not bode well for future progress. We can't rely on savings from thrift crisis resolution forever. We can't assume that the economy will always be a positive for deficit reduction.

In addition to a balanced budget, there are other needed components for long-run growth strategy as well—overall tax reform and enhanced education and job training opportunities are critical. The current U.S. Tax Code is designed to favor consumption over savings so it should be no surprise that it has given the United States one of the lowest overall savings rates in the G–7. We must alter our Tax Code to favor savings by increasing IRA's and allowing businesses to expense their investments.

We also need to be as concerned with human capital as we are with physical capital. We must look for innovative ways to enhance the training that our children and workers receive. As technology advances, job advancement will be linked to skill levels more and more, serving to widen income differentials unless action is taken. States should be encouraged to experiment with a variety of voucher programs at the primary and secondary level. It does no good to put emphasis on postsecondary education if secondary schools are turning out students without adequate reading and writing skills. We must also work to facilitate the transition of many workers between jobs. This can be done by using State job training vouchers as well as encouraging consortiums of small businesses to provide training to their workers collectively. This has already been done successfully with small business pension programs.

And lastly and very importantly, we must ensure that the Federal Reserve continues to follow an anti-inflationary policy. We should give our full support to Chairman Greenspan as he endeavors to keep inflation low and growth centered around longrun trend. We, as policymakers, should be the ones trying to boost trend growth from here, not the Fed.

Alan Greenspan has done an exceptional job since he first assumed the Chair in 1987, and will undoubtedly

continue this track record if reappointed. I encourage all my colleagues to give their full and unwavering support for Chairman Greenspan's reappointment.

I thank my friend, Senator D'AMATO, chairman of the Banking Committee, for yielding. I thank the Senator.

Mr. D'AMATO. Mr. President, I think if anybody has earned the respect of our colleagues on the issues of the Federal budget and domestic spending, it is certainly Senator DOMENICI. It is imperative that we not attempt to attribute slow economic growth to the Fed. That is an easy political ploy, whether it be used by Democrats or Republicans.

I think Senator DOMENICI is absolutely correct. In the area of failing to balance the budget, that is the failure of Congress; that is the Executive's failure; that is the failure of past administrations and the present administration, past Congresses and the present Congress. We have all failed to develop and implement which will bring even greater confidence and economic stability, domestically and worldwide.

If we want interest rates to come down and create better investment opportunities, we need a Tax Code which encourages savings to bring about more capital formation, leading to more jobs and more opportunity. Obviously, as the Senator has touched on, the fact is that we are failing in our educational system to meet the challenges of retraining and providing a trained labor pool. Many businesses cannot get the qualified personnel that they need. As a matter of fact, we hear those who are opposed to some of the proposed immigration reforms because, they say, the reforms would make it impossible to get the kind of talented work pool needed from outside the United States. This is a fact.

So for us to say, well, the reason we do not have a better growth rate than 2.5 or 2.2 percent is because of Chairman Greenspan or that he is opposed somehow to greater economic growth is just fallacious.

Let me address, if I might, the question of the GAO report. We are going to look into this. It is important. Chairman Greenspan acknowledged that the report has touched on a number of areas where they believe they can do better.

I must comment on this business of saying that there is a $3.7 billion slush fund. The Federal Reserve turns over about $20 billion a year in earnings to the Treasury and keeps a reserve—let us say it is $4 billion. To say that this reserve is a slush fund is just not correct. It is wrong. Let me tell you why. You need to understand the nature of this reserve. This is the central bank of the United States. We have had all manner of occasions where the financial system experiences stress and crises. Sometimes there are even significant costs to the taxpayer. For example, we saw in the savings and loans debacle $150 billion of taxpayers' moneys being needed to end that crisis. We have seen worldwide situations that developed when our central bank and others have to move in quickly. We have in terms of deposits insured by the Federal Government roughly $4 trillion—$4 trillion—in the American system. Let me say that the Fed surplus of $4 billion represents one-tenth of 1 percent of those deposits. That is not a tremendous amount for the central bank to hold in the event it has to deal with an emergency. My colleagues who run around and banter that the Federal Reserve has a $3.7 billion fund with some unknown purpose need to understand the ramifications of dealing with a financial system that includes $4 trillion in deposits insured through the FDIC.

I think it is rather irresponsible to somehow equate holding this reserve to the people's money being negligently managed. Indeed, Mr. Greenspan is known as the world's preeminent central banker. President Clinton did not nominate Chairman Greenspan because he is a Republican or a Democrat or a partisan. He nominated him because he deserved the position and he has been universally applauded for his overall performance of the last 8 years.

I want to include at the end of my remarks a number of editorials which illustrate the overwhelming support that Mr. Greenspan enjoys. Again, if we want to do something to bring about more growth, then let us see that the Congress manages the business of the people in a more effective, more efficient way. There is room for agreement and disagreement as to how we can do better, but let us put our own fiscal house in order and we will get interest rates down for the long term. We do not need false stimulation that will give some temporary relief for short-term borrowing costs but ultimately create inflation of double digits once again, causing long-term interest rates to rise so that young families are denied the opportunity of purchasing homes and businesses are unable to figure out their long-term borrowing costs.

That is not the kind of management our Nation needs. We need steady, prudent management of our economy. Most importantly, we have to see that the Congress of the United States makes the necessary reforms in our current tax system which does not reward savings or investment and in fact penalizes savings. Our tax system and our complex system of regulations help retard economic growth and expansion. We have an educational system that has too many bureaucrats and not enough money coming into classrooms and not enough choice for people to make in educating their children. This is particularly true in poor inner cities where we find that the working poor are trapped and do not have the ability to send their children to schools that can give them meaningful educational opportunities to enable them to compete. We have become a nation entrapped in the bureaucracy that comes out of Washington.

So, Mr. President, I rise to strongly support the nomination of Chairman Greenspan. I ask unanimous consent that the articles I have alluded to be printed in the RECORD.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Financial Times, Jan. 29, 1996]

RENOMINATING MR. GREENSPAN

The identity of the person who will hold what is arguably the most powerful post in the United States will shortly be known. If the present incumbent, a major figure in domestic politics, survives the peculiarly American ritual of nomination then a landslide victory can be all but assured. Unfortunately for President Clinton, whose practical authority and command depends so much on the co-operation, often not forthcoming, of others, the position concerned is chairman of the Federal Reserve Board and the person is Mr. Alan Greenspan.

The chairman's present term expires on March 2 and he has indicated a willingness to accept a third period as the world's most important central bank chief. Since his initial appointment by President Reagan in 1987, Mr. Greenspan has built a formidable reputation for himself. He has managed to combine a reputation for vigorous economic orthodoxy with Wall Street and world markets whilst in practice proving rather more flexible than that image would suggest. He has mastered the art of being a political figure whilst not looking one. His genuine internationalism, and capacity to innovate, have earned high praise within the G7 and beyond.

LITTLE OPTION

It is not surprising then that the president not only should renominate him but almost certainly will. Given a Republican Senate, Mr. Clinton has precious little option but to back the current chairman. This is compounded by the failure of previous White House efforts to acquire influence on the Fed through more aggressive nominations.

The first Clinton appointment, Ms. Janet Yellen, was perceived as insufficiently orthodox and has been a marginalised figure throughout her tenure. Mr. Alan Blinder, elevated to vice-chairman, and widely touted as the favoured candidate for chairman, never recovered from a speech that questioned the minimisation of inflation as the board's exclusive mission. He announced his return to academia this month. The president has still to find a replacement for Mr. John LaWare, who quit last year, that the Senate will accept. The administration will be playing with congressional fire again if, as suggested, it offer Mr. Felix Rohatyn as Mr. Blinder's replacement.

GOOD FORTUNE

Whether Mr. Greenspan is wise to court further office is another matter. Central bank governors require luck as well as judgment and he has had an unusually large share of good fortune over the past nine years. To stretch that record for another four years is surely tempting fate.

Yet he must consider the short-term signs to be encouraging. Given last weeks' agreement, the federal government—and hence his office—will at least be open on March 2. It took the merest hint of a credit downgrading from Moody's for previously gung-ho congressional Republicans to make assuring noises on the debt ceiling.

In the medium term, if any multi-year bargain on the federal budget deficit is reached, deliberately restricting fiscal options, then

monetary policy and the control of it will become even more significant. Were this fiscal shift enshrined in a balanced budget amendment to the American Constitution, that enhanced significance would become permanent. The Federal Reserve Board is likely to be an increasingly important body in the 21st century.

In such circumstances, the prospective renomination of Mr. Greenspan is especially appropriate. The president would be well advised to announce his intentions immediately.

[From the Washington Post, May 9, 1996]

FED UP

A President nearing the end of his term can expect to have a hard time moving nominations through the Senate, especially if the other party is in the majority. The party reasons that, if only it waits, its candidate may win the next election and be the one to fill the job. It may therefore come as no surprise that President Clinton's nominations of Alan Greenspan to be chairman, Alice Rivlin to be vice chairman and economist Laurence Meyer to fill a vacancy on the Federal Reserve Board are stalled—except that it isn't Republicans doing the stalling.

The nominations are being held up by a small group of Democrats led by Sen. Tom Harkin. Their complaint is that Mr. Greenspan, in his zeal to suppress inflation, has kept the economy from growing as fast as it should and thereby cost the country—working people in particular—jobs and income. Sooner or later they are expected to relent; they don't expect to deny him the nomination so much as to call attention to their argument and—who knows?—possibly soften up the board and cause it to alter course a little.

It's fair enough to make the argument if they want to, and Republicans earlier went much further in deflecting altogether the nomination of investment banker Felix Rohatyn as vice chairman; they argued he was too pro-growth. Of course, the Democrats said in response that it was wrong to make a capable nominee a pawn in a political dispute—and that's as true in this case as it was in that.

All three of these people are excellent choices whose instincts will keep them well within the envelope of acceptable policy. There will always be a debate about how fast the economy can safely be allowed to grow and where the balance point exists between the risks of renewed inflation and lingering slack. The more success the Fed has had in combating inflation lately, the more that risk has seemed to recede, but that hardly means the board's policy has been wrong.

Our own sense is that the board has both less latitude and less fine control over the economy than some of the rhetoric surrounding its decisions would suggest. Its ability to tilt in the direction of growth is further constrained by Congress itself, or by the elected branches generally. The budget deficits they have compiled in recent years have given the board little choice but to lean on the brakes as an offset. Mr. Greenspan seems to us to have done a good job of navigating a narrow channel. As Mr. Harkin's own president is fond of saying, the unemployment and inflation rates are both pretty low just now.

But the real point is that those who believe the mix of risks in the economy has changed a little in recent years, so that it would be both safe and beneficial to shoot for a slightly higher rate of growth, can make that argument in the confirmation process, as to some extent they already have. Merely putting nominations on hold is obstructionism, not debate. It is time for the Senate to liberate Mr. Clinton's three nominees and take a vote.

[From the Washington Post, June 3, 1996]

A JOB FOR THE SENATE

If the Senate has some time to kill when it reconvenes this week—and the Senate is always killing time—we have a suggestion. It could debate and vote on the president's choices to complete the Federal Reserve Board. They have been held up too long.

It was in February that Mr. Clinton announced his intention to nominate Alan Greenspan to another term as chairman of the seven-member panel, Alice Rivlin to be vice chairman and St. Louis economist Laurence Meyer to fill a vacancy. The paperwork went up a few weeks later, the Banking Committee held a hearing March 26 and sent the nominations to the floor the next day. They've languished since because of opposition on the part of, not the majority Republicans, but a handful of discontented Democrats led by Iowa's Tom Harkin.

The opponents think that, in its zeal to suppress inflation, the Fed in recent years has kept the economy from growing as rapidly as it safely could. The slower growth has cost the country income and jobs; so they believe, and in part they blame Mr. Greenspan. It's the ancient argument: Which is the greater danger, the risk of renewed inflation or the consequences of economic slack? Mr. Harkin and the others on his side believe the latter, and want to use the debate on the nominations as a consciousness-raising session. The argument has had to do with how much time they'll be given, but surely that can be worked out. They ought to get it done.

Our own sense has been that the Fed has done a pretty good job of late of steering between the risks of inflation and slack; the inflation and unemployment rates are both pretty low. Its maneuvering room in this regard has also been constrained by Congress itself. The country has had a wide-open fiscal policy in recent years; the deficit is its emblem. The Fed has had little choice but to offset it. The pro-growth types in both parties complain about a policy of constraint that they themselves have helped to force.

Sure, the Senate ought to debate these issues. They're a lot more important than much of what it does debate. But it ought not hold these nominations hostage in the process. The president has chosen well. The nominees are qualified. The senators can talk all they want, and they usually do. But time now to vote as well.

[From the New York Times, June 8, 1996]

THE UNFAIR WAR ON ALAN GREENSPAN

Senator Tom Harkin of Iowa has single-handedly blocked a vote to confirm Alan Greenspan's reappointment as chairman of the Federal Reserve Board. Mr. Greenspan will no doubt be approved, eventually. But the annoying delay could grow worse if, as is now threatened, his confirmation is tied to that of a number of controversial judicial nominations.

The truth is that Mr. Greenspan's record, by testimony of liberal and conservative economists alike, deserves high praise, not Mr. Harkin's thoughtless barbs.

Mr. Harkin accuses Mr. Greenspan of needlessly shackling the economy, and there are some economists and businessmen who agree with him. But the record says otherwise.

The economy has grown during seven of the eight years that Mr. Greenspan has led the Federal Reserve Board. Unemployment has steadily declined. So has inflation—an unusual combination of good outcomes. What Mr. Harkin criticizes is the fact that the steady growth rate has, by comparison with the 1950's and 60's, been relatively slow—about 2.5 percent per year. Mr. Harkin wants growth of 3 or 4 percent.

The sobering fact is that the Fed has no say over long-term growth and employment. Growth is limited to about 2.5 percent a year because of slow population growth and productivity growth, two trends over which the Fed has almost no control. What the Fed does control is the amount of money circulating through the economy, which determines how fast prices rise. The best way the Fed can make sure the economy grows as fast as possible is to remove the fear of inflation from the decisions to work and invest that are made by ordinary citizens. On that score, Mr. Greenspan's record has been very good.

It is true that the Fed can, when the economy is in a temporary lull, bring down interest rates in an attempt to spur investment and boost economic activity back up to capacity levels. But there are fairly strict limits on how far the Fed can go. At some point—economists disagree where—unemployment falls so low that wage and price inflation begin to soar.

Mr. Harkin asserts that the economy could operate without threat of inflation at an unemployment rate well below the current level of 5.6 percent. That may be true. But even if the Fed turned activist, and Mr. Greenspan's critics turned out to be right about inflation, the impact on the economy would be modest and temporary. If, for example, the Fed nudged unemployment down to 4.5 percent, it would mean only that the economy could grow a bit quicker, around 3.5 percent, for about two years. Then growth would slip back down to its long-run potential of 2.5 percent.

A case can be made, in hindsight, that the Fed has erred in the direction of caution the past couple of years. But the errors have been slight and the impact small. The important fact is that Mr. Greenspan has kept the economy on a steady course through turmoil on Wall Street and a war in the Persian Gulf. Mr. Harkin's carping is not just annoying. It is wrong.

[From the Dallas Morning News, Oct 8, 1995]

FEDERAL RESERVE—GREENSPAN DESERVES 4 MORE YEARS AS CHAIRMAN

The job of Federal Reserve Board chairman requires a steady hand, which is why President Clinton should reappoint Alan Greenspan to a third four-year term.

The Fed's main mission is to preserve the value of the nation's currency by managing the money supply. In this, the Fed has performed extremely well under Mr. Greenspan's direction, and often in difficult circumstances. Prudent Fed adjustments of short-term interest rates have helped to keep inflation low during more than four years of unbroken economic growth.

Not that Mr. Greenspan has been without controversy. Mr. Clinton has been known at times to resent his anti-inflation hawkishness. President George Bush felt Mr. Greenspan waited too long to lower interest rates, when a well-timed lowering might have provided an economic stimulus to aid his doomed re-election effort.

But in general, Mr. Greenspan has led the Fed to sound decisions. Despite the fact that his prior appointments were by Republicans, Mr. Clinton should reward him for his impartial and intelligent deliberations.

The choice is important. Over the next six months, Mr. Clinton must fill three vacancies on the Fed's seven-person board of governors. At the same time, Congress is expected to try seriously to eliminate the 26-year string of federal budget deficits.

Because the deficit may at last vanish, the temptation will be for Mr. Clinton to appoint inflation doves. That's not necessarily bad, if Congress actually balances the budget. The

nation may need a looser monetary policy to stimulate investment and jobs while the economy adjusts to smaller government.

But, in that event, financial markets will demand a chairman who is a known and respected quantity, a proven inflation fighter, a seasoned dealer with congressman and presidents. Mr. Greenspan is that choice.

If Mr. Clinton deems Mr. Greenspan capable, he should be able to reappoint him. Besides, Mr. Greenspan's 14-year term as a Fed governor doesn't expire until 2002. As long as he's on the board, he should be able to serve as chairman.

The choice is clear: Give the green light to Greenspan.

Mr. D'AMATO. Not to overuse a good statement, but I am going to do it again, Chairman Greenspan has been a success. He should be rewarded, and the people should be protected. He has actually won the championship, much like the Chicago Bulls, and winning that economic championship has not been easy. It has not been a knockout in every sense. He did not sweep the series. But, again, refusing to confirm Mr. Greenspan because economic growth has not been fast enough or high enough would be like the Chicago Bulls saying we are not going to sign Michael Jordan because the Bulls did not sweep in four games but just won the championship in a way that did not meet the expectations of all the critics.

I yield the floor.

Mr. HARKIN. Mr. President, I yield 20 minutes to the Senator from North Dakota.

Mr. DORGAN. Mr. President, I had a real good sleep last night so I am well rested and I hear quite well. I heard apparently the Senator from New York compare, was it the Federal Reserve Board to the Chicago Bulls? Did the Senator from New York just compare the Chicago Bulls championship basketball team to the Federal Reserve Board?

Mr. D'AMATO. I did not hear the last comparison that the Senator asked me to comment on.

Mr. DORGAN. I just said I had a good sleep, and I am hearing fairly well this morning. I thought I heard the Senator say that the Federal Reserve Board is kind of like the Chicago Bulls, and apparently one was referring to the fact that the Federal Reserve Board has been champions in winning this battle against inflation and the Chicago Bulls are the world championship basketball team, and I thought, well, maybe I did not hear very well.

Mr. D'AMATO. That is true. I think the Federal Reserve has done an excellent job. They have put us on a strong and steady course, and I would compare that course to any worldwide, to all the other major economies, the Japanese, the Germans, et cetera. I would say that the failure to make an economic sweep comes from the Congress and the failure of us to do our jobs, coupled with the White House—not just this White House but other White Houses as well.

Mr. DORGAN. I thank the Senator for yielding on that point. I thought, heck, I guess I do not understand this debate. If the Fed is like the Chicago Bulls, where is the Dennis Rodman? There would be no one down at the Fed who would be countenanced as having contrary views.

The Federal Reserve Board, as you know, operates behind closed doors and in secret. It is the last dinosaur in our Government making monetary policy decisions that affect everyone. We talk a lot about taxes on the floor of the Senate. When the Fed hikes interest rates, there is a tax imposed on every single American, with no debate or democratic process about whether the families in America should pay these taxes.

There is a tax imposed on every single American when the Fed says behind closed doors, ''We're going to keep the Federal funds rates higher than it should be.''

Why?

''Because we, as a group of economists and bankers and others who run the Federal Reserve Board are worried about inflation.''

What inflation? Five years in a row inflation has come down, not gone up. That is not, I say to my friend from New York, a function of the behavior of the Federal Reserve Board.

The global economy has put downward pressure on wages. Why? Because the global economic system is says that our largest corporations are international citizens. These corporations say we want to consign America's work force, at least the lower two-thirds of the work force in America, to compete with 2 or 3 billion other people around the world, some of whom are willing to work for 10, 12 or 25 cents an hour. This puts downward pressure on wages.

Mr. D'AMATO. Will my colleague yield for an observation?

Mr. DORGAN. I will be happy to yield.

Mr. D'AMATO. First of all, let me say Mr. President, I believe my colleague has brought up, absolutely correctly, the need to have a thorough, thoughtful discussion and review of how the Federal Reserve conducts its business. And I, as Chairman of the Banking Committee which has jurisdiction, promise you that discussion and review. I also welcome your active participation.

My colleague and friend, Senator DORGAN, has not been a Johnny-come-lately to scrutinizing the Federal Reserve. Senator DORGAN has been thoughtful in addressing a number of issues, and just recently brought to the chairman's attention one of his concerns. I wanted to stop at this point and say the Senator is correct. We have to examine the Federal Reserve's operations and look at how much secrecy and confidentiality is required. Senator DORGAN and I both understand there are certain instances where confidentiality is unquestionably warranted, in order to avoid speculative actions in financial markets. I think Congress has to thoughtfully look at these issues and examine them in light of the world markets we have and in light of the communications we have.

I also want to indicate to you that we have responded to the concerns raised by Senator DORGAN in his letter. I do not know if you have gotten a response to your recent inquiry regarding to some of the very disturbing reports on the Los Angeles branch of the San Francisco Federal Reserve. These reports discuss irregularities which involve hundreds of millions of dollars. I have asked the Federal Reserve to respond to these reports. I ask unanimous consent that Senator DORGAN's letter and my letter to the Federal Reserve be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

U.S. SENATE,
Washington, DC, June 18, 1996.

Hon. ALFONSE D'AMATO,
Chairman, Committee on Banking, Housing and Urban Affairs, Washington, DC.

DEAR MR. CHAIRMAN: I'm writing to urge that the Senate Banking Committee hold a hearing to thoroughly examine the troubled currency reporting practices recently uncovered at the Los Angeles Branch of the Federal Reserve Bank in San Francisco.

According to recent press reports, Federal Reserve employees at the Los Angeles branch bank knowingly engaged in an ongoing practice of falsifying cash reports sent to the Board of Governors. It is my understanding that the Federal Reserve Board uses this information to help determine the level of money in circulation, to assess currency needs in different parts of the country and for other important reasons.

In the last three months of 1995, there reportedly were errors in currency and coin activities that totaled more than $178 million. It is alleged that this practice has occurred for years and was actually condoned, if not directed, by bank management.

This is simply outrageous if the reports are anywhere near accurate. I think that Federal Reserve officials ought to fully explain to the American people if there are mismanagement and accounting lapses at the Los Angeles branch bank, and tell us what steps, if any, are being taken to prevent this from happening in the future. I also believe the matter should be fully audited by the General Accounting Office. One thing is clear: if we ultimately find out that money is actually missing at the branch bank, American taxpayers are the real losers. That's why we can't allow the Federal Reserve Board to simply brush this matter aside and allow it to become just another case of business as usual when questions arise about Federal Reserve oversight.

Again, I urge you to hold hearing to examine this matter at the first available opportunity.

Thank you for your consideration of my request. I look forward to hearing from you soon.

Sincerely,

BYRON L. DORGAN.

U.S. SENATE,
COMMITTEE ON BANKING HOUSING,
AND URBAN AFFAIRS,
Washington, DC. June 7, 1996.

Hon. ALAN GREENSPAN,
Chairman, Board of Governors of the Federal Reserve System, Washington, DC.

DEAR CHAIRMAN GREENSPAN: I am concerned about recent news reports concerning the operations of the Los Angeles branch of the Federal Reserve.

I urge you to look into the published accounts, to prepare a complete report and explanation, and to expect to utilize the materials in connection with hearings and public discussion of the GAO's final report on the Federal Reserve Board Operations.

Sincerely,

ALFONSE D'AMATO, *Chairman.*

[From the New York Times, June 4, 1996]

FED LOOKS INTO CASH DISCREPANCIES AT BRANCH

(By Dow Jones)

WASHINGTON, June 3—The Los Angeles Federal Reserve bank branch appears to have had trouble counting its money, and a report published today said that cash reports sent to Washington had been doctored to conceal discrepancies totaling tens of millions of dollars.

The alteration of the documents, disclosed in The Wall Street Journal today, was confirmed, The Journal said, by an executive of the San Francisco Fed bank, which oversees the Los Angeles branch. The executive said the discrepancies were being investigated.

Internal documents showed that in the 1995 fourth quarter, employees were ''forcing'' balances that did not add up, so that the reports sent to the Fed board would appear correct.

Current and former employees say the practice has been going on for at least a year in the cash-handling operation and that far larger discrepancies may have occurred over time. The Los Angeles branch runs one of the largest Federal cash vaults, putting money into circulation and destroying old currency.

But none of the people familiar with the situation said there was evidence that cash was missing.

The apparent management lapses in one of the Fed's most basic and important functions may prove an embarrassment for the central bank at a time when it is already under fire from the General Accounting Office for its spending and management practices, particularly at some of the Fed's 12 district Fed banks.

Although there was no evidence that other branches had problems akin to the Los Angeles branch's, the incident may renew questions about Fed bank management as its chairman, Alan Greenspan, awaits Senate confirmation for a third term.

On Friday, Representative Henry B. Gonzalez, a Texas Democrat and longtime Fed critic, asked the Government Accounting Office, an investigative arm of Congress, for an emergency audit of the Los Angeles cash unit. He asserted that senior managers in Los Angeles had known of ''deliberate falsifications'' of the cash reports.

The chief operating officer of the San Francisco Fed, John F. Moore, confirmed that ''there were some reports that contained inaccuracies that were identified by management in January.''

''There were months when the report had to be completed before deadline when they sent it up without substantiating certain numbers,'' Mr. Moore said.

The Fed board uses cash reports from district banks to track the level of currency in circulation, to order new cash from the United States Mint and to monitor how much has been destroyed and for other statistical purposes.

According to an internal compliance report prepared in January by the staff at the Los Angeles branch, discrepancies varied sharply from month to month. In November 1995, for example, the report sent to the Fed board claimed $61.8 million more than it should have; in December, the figure was too low by $111.1 million.

[From the American Banker, June 4, 1996]

FED BRANCH ACCUSED OF JUGGLING BOOKS

(By Bill McConnell)

WASHINGTON—Managers at the Los Angeles branch of the Federal Reserve Bank of San Francisco falsified their books to cover up accounting errors, Rep. Henry Gonzalez charged Friday.

John Moore, first vice president and chief operating officer at the San Francisco Fed, denied any official coverup, but told The Wall Street Journal that the Los Angeles branch sent incorrect cash reports to Washington. He did not return phone calls Monday.

Rep. Gonzalez, publicizing problems at the Fed's L.A. branch, said on Friday that his staff had uncovered more than $178 million in accounting errors there during the fourth quarter. An aide to the House Banking Committee's ranking Democrat said the branch may have submitted false reports for as long as two years.

The investigation uncovered a variety of mistakes at the branch, which operates one of the government's largest vaults. Errors included $28 million in misclassified cash shipments from the Bureau of Printing and Engraving and $2 million in dollar coins recorded as paper currency.

Rep. Gonzalez asked the General Accounting Office to investigate the branch's currency operations.

[From the Wall Street Journal, June 3, 1996]

LOS ANGELES FED HAS MONEY TROUBLES

(By John R. Wilke)

WASHINGTON.—The Los Angeles Federal Reserve branch appears to have had some trouble counting its money, and has doctored cash reports sent to Washington after finding discrepancies totaling tens of millions of dollars.

The altered reports were confirmed by an executive of the San Francisco Fed bank, which oversees the Los Angeles branch. He said the discrepancies are being investigated. Internal documents show that in the 1995 fourth quarter, employees were ''forcing'' balances that didn't add up so that the reports sent to the Fed board would appear normal.

Current and former employees say the practice has been going on for at least a year in the cash-handling operation and that far larger discrepancies may have occurred over time. The Los Angeles branch runs one of the largest federal cash vaults, putting money into circulation and destroying old currency.

The apparent management lapses in one of the Fed's most basic and critical functions could prove to be an embarrassment for the central bank at a time when it is already under fire from the General Accounting Office for its spending and management practices, particularly at some of the 12 district fed banks.

Although the problems appear to have been confined to the Los Angeles branch, the incident could renew questions about Fed bank management as its powerful chairman, Alan Greenspan, is awaiting Senate confirmation to a third term.

Rep. Henry Gonzalez, a Texas Democrat and longtime Fed critic, asked the GAO late Friday for an emergency audit of the Los Angeles cash unit. He charged that ''deliberate falsifications'' of the cash reports were known to senior managers in Los Angeles.

John F. Moore, chief operating officer of the San Francisco Fed, confirmed that ''there were some reports that contained inaccuracies that were identified by management in January.'' He said local managers apparently continued the practice even as they tried to correct the problem, deliberately sending misleading reports to the Fed board.

''There were months when the report had to be completed before deadline when they sent it up without substantiating certain numbers,'' he said.

Mr. Moore said that no cash was actually missing from the bank. ''We balance to the penny all the money coming in and out of the bank everyday.'' Other Fed employees said that given the huge discrepancies, this assertion couldn't be proved unless separate manual cash tallies were checked. ''If they are forcing the balances on these reports, you still have to establish where that cash is,'' one said. However, none of the people familiar with the situation said there was evidence of missing cash.

According to an internal compliance report prepared by the Los Angeles branch staff in January, discrepancies varied sharply from month to month. In November 1995, for example, the report sent to the Fed board claimed $61.8 million more than it should have; in December, the figure was too low by $111.1 million.

The Fed board uses cash reports from the district banks to track the level of currency in circulation, order new cash from the U.S. Mint, monitor how much has been destroyed, and for other statistical purposes.

Mr. Moore said that there was a $178 million difference ''between what our compliance group was able to add up and what was sent to the board'' in the cash reports in the 1995 fourth quarter. But he insisted: ''This is a statistical problem, not a financial one.''

[From the USA Today, June 4, 1996]

CRITIC SAYS FED JUGGLED ITS BOOKS

Federal Reserve employees were ordered to falsify reports to cover up $179 million in discrepancies, a longtime Fed critic alleged Monday.

Rep. Henry Gonzalez of Texas, senior Democrat on the House Banking Committee, claims Fed employees used accounting gimmicks to cover discrepancies in Fed reports the last three months of '95.

The employees work at the Fed's Los Angeles branch, one of the nation's largest currency processing centers. The General Accounting Office has been asked to investigate the allegations, Gonzalez says.

He says the accounting gimmicks covered up shortages of $5.8 million in October and $111.1 million in December between two different reports.

In November, the report that was changed actually came in $61.8 million higher than another report. That left a net shortfall of $55 million for the three months, although there are no accusations of missing money.

John Moore—chief operating officer of the San Francisco Fed, which oversees the Los Angeles branch—says there have been report inaccuracies.

But new procedures have been put in place to correct the problems, Moore says.

Mr. D'AMATO. Mr. President, I am not suggesting for one second that while I support Mr. Greenspan as Chairman that we should not take a careful look at the practices of the Federal Reserve that, in some cases, are so esoteric. I think we have an obligation to review this, and I say to you, I will support such an endeavor.

Mr. DORGAN. I appreciate that. I think that is a helpful response.

Let me frame this issue the way it should be framed. I said before, and I want to say again, this is not personal with me. In fact, I admire Chairman

Greenspan. I think he has performed a substantial amount of service for this country. I disagree fundamentally with the monetary policy that is now employed by the Federal Reserve Board, because I think it artificially restricts economic growth in this country in a way that is unwarranted. I think it serves interests that are not the interests of the producers and workers. It serves the money center bank interests. I think they are fighting a ghost foe. The Fed's fighting inflation that does not exist and claiming credit for bringing inflation down. Again, inflation is being brought down by the pressures of the global economy. So it is not personal with me.

In addition to the issues of monetary policy, the GAO raises, I think, some fundamental questions about the mechanics and the operations of the Reserve Board, and I think those need to be examined. And I appreciate the response of the Senator from New York that he intends to do that.

Let me say that the Senator from Iowa, Senator HARKIN, has only asked that there be a debate and a full discussion about Mr. Greenspan's nomination on the floor. We had people in the Senate who said, "Well, what we would like to do is move these nominations by unanimous consent, and we don't have time for a debate."

The Senator from Iowa, I think, has suffered some significant pressures and criticism by people who said, "What are you doing?"

Well, he was not bowed by that, fortunately. He was doing what he thought was right and what I think is right: Asking that this Senate discuss monetary policy.

We are now discussing it, and we are going to have a vote. Mr. Greenspan, I predict, is going to be confirmed by a wide margin. I personally am not going to vote for his reconfirmation for a second term. It is nothing personal, but I think the Fed is marching in the wrong direction.

I am going to read some quotes, but let me first respond to something said by the Budget Committee chairman. He said if the Congress were more responsible in fiscal policy, we would have better economic growth. I heard that before. Let me respond by reading this.

This is a comment by the former Director of the Congressional Budget Office, Robert Reischauer. He is now with the Brookings Institution. He says:

> Whether or not the supply-siders think cutting taxes will make the economy grow faster doesn't really matter. . . . If Alan Greenspan thinks the economy can't grow faster than 2.2 percent a year without triggering inflation, it isn't going to happen.

That is Mr. Reischauer. If Mr. Greenspan does not want growth rates higher than 2.2 percent, it is not going to happen. I agree with him.

The Federal Reserve Board believes that unemployment should not drop much below 5.5 percent, maybe even 6 percent, because they worry it will trigger more inflation. They believe the economy should not grow more than 2 or 2.5 percent a year, because they worry it will trigger more inflation. I have said they view themselves as a set of human brake pads whose sole mission it is to slow down the economy. My Uncle Joe can do that. Maybe we should put my Uncle Joe on the Federal Reserve Board. He does not have any experience, but he could certainly slow down the American economy.

If the Federal Reserve Board believes that its mission is to slow down the economy, then they are doing just fine, because we have an anemic rate of economic growth. Mr. President, 2 or 2.3 percent economic growth is not the kind of economic growth that is going to provide the opportunity and the jobs that the American people need and deserve. The fact is, we can have a better rate of economic growth without stoking the fires of inflation. Inflation is coming down, not going up.

Let me read some quotes, lest you think it is only myself or the Senator from Iowa who believes this. The chairman of the General Electric Co., John Welch, Jr.:

> We don't see a connection between the numbers out there and what we feel in our business. There is absolutely no inflation. There is no pricing power at all.

Dana Mead, chief executive of Tenneco, who I believe is also chairman of the National Association of Manufacturers:

> I believe very strongly that the Fed should be leaning more toward growth and not be so concerned with the threat of inflation.

I think the numbers support Mr. Mead's contention.

Felix Rohatyn:

> There was a time when 2.8 percent growth would be considered a modest rate of growth. Today, it is considered dangerously robust. Most corporate leaders don't agree with this notion of dragging the anchor just as soon as the economy has wind behind it. They understand that we can sustain high growth based on muscular productivity improvements that they are generating in their own businesses.

Mr. President, this is not about idle debate about theory. This is a debate that reaches every home and every worker in this country. A century ago, we would have been debating interest rate policy from barbershops to barrooms all across this country. The Senator from New York is one of the real historians in our country and serving in this body. You read the financial history of this country and the debate surrounding the large economic issues of this country. You read in the last century that monetary policy and interest rates were a predominant political issue in America.

Over two centuries, there has been a wrestling match between those who produce in America and those who finance production in America. There has always been this wrestling match, this tension. One wants to overcome the other. It is about profits and money.

You look at these two centuries of that struggle, and you find you go a decade or two, and one side has an upper hand, those who finance production have the power and wield the power and have the upper hand; then it turns and the pendulum swings, and those who produce have the upper hand.

We are in a period in this country today where those who finance production not only have the upper hand, but have an abiding ally among those who make this country's money policy. It sounds like theory to a lot of people, but what it means is in every household at the end of every month when every American pays their bills, they are paying a tax. It has been imposed on their family by an institution that keeps interest rates higher than they can justifiably be kept in this country today.

These costs of higher interest rates will cost the American people, not $20, $50, or $100 billion, but hundreds of billions of dollars in extra costs coming out of their pockets. Credit card interest rates are higher, the prime rate is higher, business operating loans are at a higher interest rate, all because they come off the Federal funds rate.

The Federal funds rate is higher now than can be justified. There is no doubt about that. There is no real debate about that, in my judgment. They will say it is higher because they are worried about the threat of inflation.

In North Dakota, for example, North Dakotans will pay close to $400 million over the next 5 years in excess interest costs. That's $80 million a year in excess interest charges because we have those sitting on monetary policy who manage it in a way that keeps interest rates excessively high in order to restrict the rate of economic growth in our country. I fundamentally disagree with that.

I hope, in the context of having a debate about monetary policy and the Federal Reserve Board, that we can perhaps light the fuse that will result in a larger debate in this country about in whose interest are we conducting monetary policy?

We will have some people stand up in this Chamber and say that the fight against inflation is the only fight that counts. Let us evaluate that for just a moment. What has happened to inflation? Inflation has come down 5 years in a row. It now stands at 2.5 percent, and the current Chairman of the Federal Reserve Board says the 2.5 percent may be overstated by 1.5 percent. If that is the case, we have virtually no inflation in America.

In fact, we have one of the prominent economists in our country, who was born out in my part of the country, Glendive, MT, born not so far from the North Dakota side I was on, Lester Thurow, who is an economist whose views I value. He has written a chapter on the subject in a recent book that I think is interesting. He talks about this interest rate policy and the decision by the Federal Reserve Board to

fight a foe that Mr. Thurow says no longer exist.

''Beliefs,'' Mr. Thurow says, ''change more slowly than reality. Inflation is largely gone, but inflation fighting still dominates central bank policies.'' He says, every time the Chairman, Alan Greenspan, admitted that the Fed could not point to even a hint of inflation in the current numbers—he said, the Fed could not point to inflation because there was no inflation. The broadest measure of inflation, the implicit price deflator for the gross domestic product fell from 2.2 percent in 1993 to 2.1 percent in 1994. In the third quarter of 1995, it was running at the rate of six-tenths of 1 percent.

If all these factors are put together that he described in this chapter, ''The real rate of inflation, outside of the health care sector, was undoubtedly very low, perhaps even negative during the entire period when Alan Greenspan was worried about inflation. Greenspan could not see any inflation in the indexes because there was no inflation to be seen.''

I have described my interest and concerns in the construct of money policy. I hope we will have a Federal Reserve policy that at some point would countenance an honest debate, and inside the Federal Reserve Board, and perhaps come to a conclusion that we have twin economic goals in this country—stable prices and full employment. Not one goal, twin goals.

Let me turn just for a moment to the report that was issued by the Government Accounting Office, the ''Federal Reserve System, Current and Future Challenges Require Systemwide Attention.'' This is the report that the Senator from New York alluded to. I will make just a couple brief observations about it.

It moves from the issue of my disagreement with monetary policy to a couple of issues that relate to how the Fed now functions. The Senator from New York pointed out that the surplus that has been accrued down at the Federal Reserve Board is really kind of an innocent surplus.

It is at $3.7 billion surplus account accrued to meet the needs when the Fed might have a loss. Of course, the Fed has not lost money in the last 79 years, and the Fed in the next 79 years is not expected to lose money. When you are guaranteed by your operations to make money, you are not expected to lose it.

The point that we raised—the point I did not know; and I do not know whether other Senators knew it—is that this surplus, this $3.7 billion that has been squirreled away by the Federal Reserve Board, has increased by over 70 percent between 1988 and 1994, at the very time the Fed was telling everybody else, ''Tighten your belt.'' They say, ''This little rainy day fund we have we want to increase by 79 percent.'' I say: Wait a second. You have not had a loss in 79 years. You are suggesting that everyone tighten their belt. Why are you increasing your surplus down at the Fed by over 70 percent?

That is something I hope that the Banking Committee will evaluate. I did not bring the charts today because I presented them previously. I know the Senator from Iowa is also presenting them. But the charts that show the amount of expenditure at the Fed show that they are expending more and more money on employee benefits, travel and other issues.

Mr. President, I ask for 1 additional minute by unanimous consent from Senator HARKIN's time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DORGAN. Just to conclude, I will not discuss it in any greater detail. But this one-of-a-kind report, which took the GAO over 2 years to complete, shows that at a time when the Federal Reserve Board was saying to everyone else, ''Tighten your belts, downsize,'' they were increasing their expenditures rather substantially.

One would say, if this is the house on the hill that operates in secret, with the shades drawn, you cannot see inside, and we finally discover what is going on inside, aside from monetary policy, and the practices inside are not in keeping with what they are counseling the rest of the Government, I think there is something wrong.

Again, I respectfully say in conclusion I am going to vote against Mr. Greenspan. It is not personal. I admire him. I think their monetary policy is wrong. I think there are very serious management practices that need to be addressed. Mr. President, I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, may I inquire of my distinguished friend and fellow New Yorker, is time being allocated?

Mr. D'AMATO. Mr. President, I certainly yield time to the Senator from New York. I believe he would like to make some remarks in support of Mr. Greenspan. I am wondering if the managers on the other side—if we could not agree to attempt to work out some system whereby we would yield the floor to each other. I would be happy to do that.

Mr. WELLSTONE. Mr. President, I wonder whether I could lean on the other side, and ask unanimous consent to follow the Senator from New York, and we could alternate back and forth.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from New York.

Mr. MOYNIHAN. Mr. President, I rise in emphatic and enthusiastic support for the nomination of the Honorable Alan Greenspan to a third term as Chairman of the Board of Governors of the Federal Reserve System. He is a national treasure. He has served our Nation with principle and wisdom, and as I shall attempt to show in these brief remarks, unprecedented success.

Let me cite four principal reasons he should again be confirmed by the Senate.

The economy is now in the 64th month of an expansion that shows no signs of ending.

Unemployment for May was at 5.6 percent, and has been below 6 percent, which is roughly agreed to be full employment, for almost 2 years.

Inflation is in check, measured by the Consumer Price Index, which economists generally believe overstates inflation. Consumer prices have increased by less than 3 percent per year for the past 4 years. That could, in truth, be more like a 2 percent figure.

Finally, that renowned misery index, the sum of the unemployment rate and the inflation rate, is about 8 percent, the lowest level in a quarter century.

In the course of this debate about whether the economy could be growing faster, I believe it ought to be pointed out that 20 or 25 years ago, the figures I have just cited would have been thought unattainable. It would not have been thought within the range of possible economic outcomes, much less economic management and planning, to produce this combination of 5-year, 6-year expansions, full employment near zero inflation. This could be taught in a textbook as an ideal, and with the full and firm understanding that it would not in our lifetimes, perhaps in any lifetime, be achieved. You would measure your performance by the distance between what was ideal and what, in fact, you could do. I do not think we understand—perhaps it is part of our historical distance—how much social learning has taken place in our country and to what consequence, an area which was thought to be absolutely essential to our economic, socio-political well-being, which is employment.

I speak as someone who entered the Kennedy administration in 1961. I was an Assistant Secretary of Labor for Policy Planning. I know what our highest expectations were in those days. I say to you on this floor they never would have contemplated what we have achieved in this last 10 years or so of American policy.

Mr. President, on the front page of the Washington Post this morning there is a story which may be the first such in the history of this Nation. The headline says: ''Labor Shortages May Be Slowing Economy.'' Referring to the latest surveys of regional economic conditions by Federal Reserve Banks, the subheading states: ''Fed Finds Firms in Some Regions Having a Hard Time Filling Jobs.''

The article begins:

Signing bonuses are nothing new for basketball players and Wall Street traders. But hamburger flippers?

Some fast-food restaurants in St. Louis are now paying as much as $250 in signing bonuses for new hires, according to the latest Federal Reserve survey of regional economic conditions released yesterday.

Companies all over the country are going to extra lengths to attract workers, the Fed

reports, in the latest sign that the pool of unemployed workers has shrunk to the point that it is limiting economic growth. Unemployment nationally has hovered around 5.5 percent for the past 18 months and in more than half the States this spring it is below 5 percent.

I interpolate, Mr. President, that in Madison, WI, it is now at 1.8 percent. I say that is statistically almost impossible, but that is a fact.

A Minneapolis company is offering a chance at free vacations in Las Vegas for employees who recruit new hires. Temporary employment agencies in Chicago say more employers are snaring their workers for permanent positions. Banks in Salt Lake City are having a hard time finding tellers.

According to the Minneapolis Federal Reserve Bank, a growing number of firms wanting to hire skilled workers have stopped advertising because they got no responses. ''Perhaps we should call them 'discouraged employers,' one Minnesota state official quipped.

Again, Mr. President, 30 years ago, 40 years ago, one of the continued concerns, a legitimate one, on the part of a person working in the field of labor statistics was something called hidden unemployment, which referred to workers who had given up looking for work. By definition, you are not in the work force unless you are working or looking for work. These discouraged workers had dropped out of the work force, but represented unemployment, even so.

Now, we have a phrase ''discouraged employers.'' I am not saying the world has transformed itself, but I am saying in a lifetime in this area, this field, I have never heard the term ''discouraged employer'' before.

The article goes on to say that Minnesota is now one of the 10 States with a jobless rate of 3.9 percent or less. In the Kennedy administration, Mr. President, in the 3d year, the report of the Council on Economic Advisers made a bold and unprecedented assertion of optimism, in an optimistic age. They said, ''We call for a national goal of an unemployment rate of 4 percent.'' It was not going to happen in our lifetimes, but that is what goals are for. Now here it is: more than half the States are under 5 percent, and 10 States are under 4 percent.

According to the Minneapolis Fed, businesses are now looking more at whether people will be available to work at a new plant, than at whether the company can get incentives or tax breaks to build there.

Mr. President, a century and more of State governments, and local governments, offering tax abatements, cash incentives, to bring the firms into their high unemployment areas and, suddenly we are told, ''We do not need your tax abatements. Do you have any workers?''

I quote an official from Minneapolis: ''This parallels the dilemma that eastern South Dakota has faced for some time. It is difficult to attract new industry when labor seems short.''

Mr. President, I simply want to say, sir, if I may repeat, that in a lifetime of involvement with these matters I have never read such data, or heard such comments. It is a wonderful play on usage—the idea of discouraged employers who cannot find workers. And so, is it inappropriate to attribute these outcomes, in significant measure, to the wisdom and the practical knowledge with which Alan Greenspan has conducted his stewardship of our Nation's monetary policies over the last 9 years? That is not to say—and he would certainly so insist—that he is solely responsible for the performance of the economy in this period.

Without wishing to introduce anything like a partisan note, I still say that much credit is owing to the President, President Clinton, and the 103rd Congress, which enacted a 5-year, $500 billion deficit reduction in the summer of 1993—$600 billion, if you include the effects of the decline in interest rates that came about in the aftermath of the 1993 deficit reduction package.

Alan Greenspan himself has testified that there was an inflation premium on interest rates. With the anxiety—just a touch, but sufficient—of a country going into debt as fast as we would do, could it be that we would someday monetize the debt, which is to say, through inflation, wipe it out? Well, that costs you something in interest rates. When it appeared that we were going in a different and better direction, interest rates came down—bringing additional deficit reduction, and all the advantages of lower interest rates across the economy.

Not since the Kennedy–Johnson administrations, in which we had the longest peacetime expansion of 106 months, have monetary and fiscal policy been so well coordinated. We seem to have learned to manage affairs that were previously thought beyond our reach. Yet rather than celebrating, some of us are complaining that we need to accelerate economic growth. And no one can say that slightly faster growth will lead to higher inflation. Almost certainly, that has to be a concern. Ultimately, if it should, there will be an end to the expansion. You will lose more production in a downturn than ever you will have lost by not speeding to the point where you produce a downturn.

Last week, the distinguished junior Senator from Iowa stated that ''* * * the bottomline is that Chairman Greenspan has this long history of focusing solely on inflation to such an extent that all focus on expanding our economy has been lost.'' My good friend added, ''We have a mindset at the Fed that 2 percent growth is acceptable, that the economy cannot grow any faster—maybe 2.5, but that is getting close to the limits—but that we cannot have the 3 percent growth of the 1970's or the 4 percent growth of the 1960's. That is the mindset of the Fed.'' Might I say that, in the judgment of this Senator—and it will be for the Senate itself to make a collective judgment—the issue is not whether 2.5 percent growth is acceptable, but rather, is any higher rate possible?

There are realities in the world of economics, and there are constraints. Economists of every school, every range of opinion, will agree that growth and capacity or potential of the economy is determined by two basic factors: increases in productivity, output per worker hour; and growth in the labor force.

In the February 1996 Economic Report of the President, the Council of Economic Advisers estimated that for the next several years, productivity growth would be about 1.2 percent per year, and the labor force would grow at about 1.1 percent. You put those two numbers together, and you have about a 2.3 percent possible economic growth for the year.

Do not underestimate 2.3 percent, Mr. President. It means that your total economic product doubles every 30 years or so—an experience that is new to mankind. It may sound low, but if you keep it up, you double your wealth every generation. That is what we are now doing. It is recession, and worse, that puts an end to economic growth, if you think in terms of a generation.

The Senator from Iowa correctly noted last week that, in the 1960's, the economy grew at 4 percent a year, and, indeed, it did. But, Mr. President, at that time, the labor force was increasing at 2 percent a year, and productivity was rising at about 2 percent. So you have that 4 percent potential.

That labor force increases at absolute constraint. We have reached about the limit of labor force participation. It used to be a much lower rate than it is now, and the consequence of women entering the work force in larger numbers has kept us going. But we are now at a very small rate of increase. This is a demographic fact—who was born 20 years ago? You cannot change it through manipulating interest rates or demand or supply. The supply is fixed. Yet, our performance in this situation is extraordinary.

We are actually at full employment. We have a period of economic growth, now in its sixth year of sustained economic growth. We have done so without any of the intrusive Federal Governmental measures that have been associated with response to emergencies in the past.

I do not want to hold the floor longer than this. I have tried to make two points, Mr. President. With Dr. Alan Greenspan as Chairman of the Federal Reserve, we have entered a period for which many persons may properly claim a measure of responsibility, but for which he is uniquely held responsible.

We have entered a period of unprecedented growth—full employment, price stability and year after year after year of growth. What more would be asked? Can we not take some satisfaction in our performance as a country, as a society? We have learned to do this.

We have reached the point, Mr. President, which as a sometime Assistant

Secretary of Labor I certainly never thought we would see, and I do not think anybody in Washington 35 years ago would have ever seen, where on the front page of the Washington Post we learn that labor shortages may be slowing the economy—not Alan Greenspan, but, rather, the extraordinary success of accumulated understandings and practices have brought us to the point where there is a shortage of workers, an idea that we would hardly have entertained. And that wonderful phrase —I suppose you have to have been around the subject long enough to appreciate the irony—''discouraged employers.'' The idea that in eastern North Dakota, as cited here and elsewhere around the country, employers looking for new plant sites are no longer looking for tax breaks and other incentives. They say, ''Are there enough workers for the plant?''

Well, can we not, in the midst of a Presidential election and a lot of distress on all sides, recognize what good fortune we have had as a nation and how much Alan Greenspan has contributed to that good fortune?

I thank the Chair for allowing me this extensive time. I thank my friend, the distinguished chairman of the Banking Committee, for indulging me. I hope he feels I have not gone on too long. But I do say, sir, I have gone on about an event that has never happened before and is worth noting.

I finally ask unanimous consent that the article from the Washington Post be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

LABOR SHORTAGES MAY BE SLOWING ECONOMY

(By John M. Berry)

Signing bonuses are nothing new for basketball players and Wall Street traders. But hamburger flippers?

Some fast-food restaurants in St. Louis are now paying as much as $250 in signing bonuses for new hires, according to the latest Federal Reserve survey of regional economic conditions released yesterday.

Companies all over the country are going to extra lengths to attract workers, the Fed reports, in the latest sign that the pool of unemployed workers has shrunk to the point that it is limiting economic growth. Unemployment nationally has hovered around 5.5 percent for the past 18 months and in more than half the states this spring it is below 5 percent.

A Minneapolis company is offering a chance at free vacations in Las Vegas for employees who recruit new hires. Temporary employment agencies in Chicago say more employers are snaring their workers for permanent positions. Banks in Salt Lake City are having a hard time finding tellers.

According to the Minneapolis Federal Reserve Bank, a growing number of firms wanting to hire skilled workers have stopped advertising because they got no responses. ''Perhaps we should call them 'discouraged employers,' '' one Minnesota state official quipped.

In Minnesota, one of 10 states with a jobless rate of 3.9 percent or less, economic development officials say that businesses are looking more at whether people will be available to work at a new plant than at whether the company can get incentives or tax breaks to build there, according to the Minneapolis Fed. ''This parallels the dilemma that eastern South Dakota has faced for some time: It is difficult to attract new industry when labor seems short,'' the report said.

Many Fed officials have expressed surprise that, with the unemployment rate so low, there have not been more problems on the inflation front, with wages rising to attract workers. But the Fed's latest survey turned up only scattered instances in which tight labor markets were causing wages overall to increase rapidly.

Economists and government policy makers aren't exactly sure why labor costs haven't begun to rise more rapidly in response to the nation's low unemployment rate. Some analysts say the best explanation is twofold: Heightened concern among workers about job security in a world of corporate downsizing has made them squeamish about asking for raises. That's coupled with strong resistance by employers to raise overall wages because they know that in a low-inflation economy, it is difficult to raise prices to cover higher costs.

So even though some companies are having to increase their offers of starting wages to get workers, in the aggregate, pay hikes are still modest by historic standards.

And companies aren't going begging for workers everywhere in the country. Indeed, in places such as the District, New York and New Jersey, a southern tier of states stretching from Mississippi west through Texas to New Mexico and most important, California, finding workers isn't as tough as it is elsewhere. Joblessness in California, whose recovery has lagged that of the rest of the nation, is 7.5 percent. Only West Virginia at 7.7 percent and the District at 8.4 percent have higher rates.

To many economists, this is a picture of a nation essentially at full employment. That means that going forward, the economy can grow only as fast as its capacity to produce goods and services grows.

How fast that growth can occur is the subject of much debate these days. Indeed. Sen. Tom Harkin (D–Iowa) delayed the full Senate's vote to confirm Fed Chairman Alan Greenspan to a third term until today so he could hold a public discussion the subject. Harkin believes the economy could grow much faster if Greenspan would only lower interest rates and stop worrying so much about inflation. ''A turtle makes progress only when it sticks its neck out, even though that is when it is most vulnerable,'' Harkin said in an interview. He said that the Fed cannot be sure the jobless rate can't be pushed down to 5 percent or 4.5 percent without making inflation worse.

Few people in official Washington agree with Harkin, though. The Clinton administration, the Congressional Budget Office and many private economists all peg the economy's capacity to grow at a little above 2 percent.

According to White House economist Martin Baily, the administration's estimate of 2.3 percent a year ''is based on supply-side factors,'' meaning labor supply and productivity.

If the economy is at full employment, additional labor is largely a matter of how fast the population is growing, including immigrants. When the post-World War II baby boomers were entering the work force in the 1960s and 1970s, labor supply was increasing roughly 2 percent a year.

Now it is increasing only about 1 percent a year. All other things equal, that difference means the economy's capacity to grow is a full percentage point lower than it used to be.

And gains in productivity slowed sharply after 1973 for reasons economists still can't explain fully. But over the past year, output per hour worked at private nonfarm businesses rose 1.3 percent, exactly the pace the administration foresees for coming years.

At a recent conference on economic growth sponsored by the Boston Federal Reserve Bank, Baily said that Fed policy doesn't directly affect either of these determinants of growth. ''I don't think monetary policy in the United States is seen as a significant restraint on economic growth in the next few years,'' Baily told the conference.

Thomas Hoenig, president of the Kansas City Federal Reserve Bank, said in a recent interview that in his district, where the average unemployment rate is not much above 4 percent, business executives aren't complaining about Fed policy.

The complaint Hoenig hears most frequently, he said, is, ''I can't get enough of the type of help I need. I have heard no one say, I could grow faster if you lowered interest rates.''

The PRESIDING OFFICER. Who yields time?

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. I know my colleagues on the other side want to be recognized, but I am going to make a request and ask that those who speak on behalf of Mr. Greenspan—I think we have about 31 minutes.

The PRESIDING OFFICER. Thirty-seven minutes.

Mr. D'AMATO. I ask that they hold their remarks down to 5 minutes, if they could. I would be deeply appreciative, because there are a number who have indicated they would like to speak, and so we have a limited period of time. When we do yield on this side, I will yield for the purpose of recognizing those who would speak for up to 5 minutes.

The PRESIDING OFFICER. Under the previous order, the Senator from Minnesota is to be recognized if that time is yielded by the Senator from Iowa.

Mr. HARKIN. Mr. President, how much time do we have remaining?

The PRESIDING OFFICER. Fifty-six minutes.

Mr. HARKIN. Mr. President, I ask unanimous consent that I have about 3 minutes to respond to the Senator from New York and that then the Senator from Minnesota be recognized for 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARKIN. Mr. President, the senior Senator from New York, Mr. MOYNIHAN, talked that if you want growth, you have to have productivity growth and labor growth. He correctly pointed out that right now we have 1.2 percent productivity growth and about 1.1 percent labor growth. That is about 2.3 percent growth per year and there is nothing you can do about it. He correctly pointed out that in the 1960's, as I said last week, we had 4 percent growth, but then we had about 2 percent growth in the labor force and about a 2-percent growth in productivity.

Let me respond to my friend from New York by saying that is the chicken-and-egg argument. Is this something that we have to accept, that productivity growth is only 1.2 percent? I know some have said that is what it is going to be, but based on what? And labor growth of 1.1 percent per year, based on what?

I would refer my friend to an article that appeared in the June 12 Wall Street Journal talking about the million missing men, that there are studies now, they said, that when the Labor Department reported Friday a jobless rate of 5.6 percent and 7.4 million unemployed people, an additional 1 million were not included; many of them are sitting at home too discouraged to hunt for a job. They can be found in all 50 States. Actually, some economists, such as Lester Thurow at MIT, say there may be far more than that out there in the labor force.

Therefore, there is a possibility, I would submit, that labor growth can exceed 1.1 percent per year. That is, if we get off of this old idea the Fed has of NAIRU, the nonaccelerating inflation rate of unemployment, in which it is felt that if we reduce unemployment below a certain level, which they first assumed to be 6, now they are saying may be 5.5 percent, that somehow inflation will not just increase but will accelerate. And, that premptive strikes are needed to block excessive growth.

So I say to my friend from New York that I believe we can have a higher rate of growth in the labor force because there are a lot of people out there not even counted. There are a lot of people out there who are underemployed. There are a lot of women out there who are underemployed at minimum wage part time jobs who could be employed better. So I believe that the labor force can, indeed, grow much faster.

Secondly, in terms of productivity growth, I do not accept that the American work force has to be stuck at 1.2 percent productivity growth. I say that knowing full well we are still the leader in the world in productivity. Our work force is still the leader. We have more output per hours worked than any other country in the world.

Does that mean we can just sit there and say that is OK? Productivity has to do a lot with what is happening in that work force out there right now. There are a lot of workers out there now who have been discouraged because of downsizing. They are discouraged because of wage stagnation. I see it in my own family, my relatives, who are working at manufacturing jobs. They are discouraged, and so their output could be better. Their output per hour worked could be more if in fact they thought their wages were going to go up, if they thought they were going to have a better stake in our economy. We can have more efficient methods to produce goods by the way we structure companies and through technology.

I predict that the productivity growth in America could boom a lot more than what it is. That yields then to more labor growth, more productivity growth, which leads to higher growth in our economy. Those two things will not happen as long as the Federal Reserve continues to adhere to this NAIRU concept and as long as the Fed, every time growth starts to go up, puts on the brakes.

I respect very much the insight of my friend from New York. My premise, and I believe the premise of those of us who are taking the opposite side, is that we can, indeed, grow faster in this country and we can grow faster because we have an untapped labor source and our productivity can, indeed, increase but if and only if the Federal Reserve takes the brakes off and lowers the interest rates in this country.

I thank the Chair. I then yield 15 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. I thank the Chair. I am going to actually pick up on some points that have been made by my colleague from New York, for whom I have deep respect, and by my colleague from Iowa. First of all, let me thank Senator HARKIN from Iowa for doing something very important as a Senator. He has insisted that at least we have a debate about economic policy, that we have a debate about monetary policy, that we not just go forward and confirm someone to be Chairman of the Federal Reserve Board without any discussion or debate. I do not think this debate is at all personal. I think each and every one of us has gone out of our way to say that we hold the Chairman in high personal regard. But this is a debate about economic policy. My colleague has taken a lot of criticism for insisting that there be a debate. That is all he has ever asked for. I thank him for doing that. My colleague from North Dakota earlier made an important point, which is, it used to be, back in the 1870's, 1880's, 1890's, and the early part of this century, that there was an important debate about monetary policy. It was not conspiratorial, it was important, because people know that real interest rates and monetary policy can make or break communities' lives. They can make or break families' lives. They have a huge impact, a huge impact on small business people, a huge impact on farmers, a huge impact on whether people can afford to buy a home, a huge impact on whether or not people can afford to take out a loan for their son or their daughter to go on to higher education.

This is a fundamentally important debate we are having. It is not hate; it is debate. I think it is an extremely important question that my colleague has been raising.

When I listen to this discussion, I have to smile, because I do think to a certain extent some of my colleagues, either by accident or by design, are being a bit ahistorical.

Let me also, teacher to teacher, professor to professor, respond to a little bit of what Senator MOYNIHAN said. He never, of course, leaves out a historical analysis, and people in good faith can reach very different conclusions, but I would like to go back to the 1946 Employment Act in our country which called for the Federal Reserve Board to be a part of this and to keep inflation down, but also with the mandate of achieving maximum employment. That was an important piece of legislation.

There was a classic book written called "Congress Makes a Law," by Stephen K. Bailey, all about the Murray–Wagner Act that finally passed in 1946. Full employment, the idea that people should be able to find work, decent wages under civilized working conditions, was the No. 1 issue for the country. The Depression was fresh in everybody's memory, and World War II, in fact, pumped up the economy, and people found it to be a pleasant experience to be able to work. Women were in the work force. Men and women of color were also finding jobs. So after the war was over, the No. 1 challenge for our country was, how do you have an economy that generates jobs for people that are living-wage jobs? That is what it was all about.

I smile when I hear some of the analyses by some economists—not by all—that, as a matter of fact, what we have here is a situation of full employment, because the unemployment rate is 5.6 percent. Therefore, we have full employment.

People in Minnesota and around the country have to just be scratching their heads and wondering what is going on here. Ten blocks from here, why do we not go out and ask people whether or not they think we have full employment. Just ask them. This does not measure subemployment, it does not measure the 1 million discouraged workers, it does not measure people who are working part time because they cannot work full time.

Do you know what else it does not measure? It does not measure all the people who have jobs but not jobs they can count on. It does not measure all the working poor people, who work 52 weeks a year, 40-hours-plus a week, and still make only poverty-level wages.

So, when we hear all these macro figures about how we cannot afford to have unemployment below 5.5 percent, otherwise we will set off this inflationary cycle, this is the old "Phillips curve" argument. It has been discredited over and over again. It is not the experience in our own country. We have had no evidence that we are about to see a cycle of inflation.

What we have instead is a policy that works great for bondholders, great for Wall Street, but does not work well for families in our country. Every time we are about to have a real recovery and every time small businesses are about to have a break or every time farmers are about to have a break or every time homeowners are about to have a break or every time some of the businesses in our country which are interest-sensitive businesses are about to

have a break and every time we are about to generate more jobs that people can count on, we have this policy, which I think is outdated and which I think, in fact, helps some folks at the top but puts a squeeze on the vast majority of people in this country. That is what this debate is all about.

When we get to this policy of maintaining and insisting that 2 percent growth is all we can do as a Nation, that we have to always cool down the economy, that we have to have price stability, the question that needs to be asked on the floor of the Senate is the question people ask in cafes in our country: Who exactly is deciding? Who exactly is benefiting? And who is being asked to sacrifice? Who decides that we can only afford economic growth of 2 percent a year? Who decides that interest rates will be kept at this high level and not reduced? And whose farm goes under the auctioneer's hammer? Who goes without a job? Who goes without a job that pays a decent wage? Who goes without a job working under civilized working conditions? Who is not able to pay for higher education for their children? That is what it is all about.

I suggest to my colleagues that this argument that we now have about full employment—my God, just tour the cities. Go to Hartford. Go to Minneapolis. I heard statistics about my State. Yes, the official unemployment level is down, but that does not measure subemployment. I will repeat that. Not the discouraged workers, not people who are part-time workers, and not people who are working but working at jobs they cannot count on—that is what this is all about: living-wage jobs. I can tell you that a much too significant percentage of the population all across this country, including Minnesota, is struggling to make ends meet.

This effort to always cool the economy down, fight this bogeyman of inflation and insist on this stringent monetary policy has made it very difficult for families to do well. That is what this debate is all about.

My colleague from New York talked about the piece that he read today in the Washington Post about discouraged employers. It is interesting to hear about discouraged employers, but I suggest to colleagues, Democrats and Republicans alike, that is only one piece of the story. That is true.

I meet with businesses owners in Minnesota who say the same thing. I meet with small businesses owners and a good many of them say to me, ''Paul, we are not worried about the minimum wage raise, but do you know what? We are technology companies and we cannot find skilled workers.''

That is true. That is one piece of it. But I also suggest to my colleagues, it is only one small piece of it. The other piece has to do with this effort to keep economic growth down, to argue we can only afford 2 percent a year growth in our economy, to constantly, therefore, make this an economy where we have a recovery but a recovery where people are not able to find the jobs at decent wages.

Mr. HARKIN. Will the Senator yield for a second?

Mr. WELLSTONE. I will be pleased to.

Mr. HARKIN. I thank my colleague for making that point. Yes, there was a story in the paper this morning about discouraged employers trying to find certain specific people to work. There is another story on the front page of the New York Times, also on the front page of the USA Today: ''Income Disparity Between Poorest and Richest Rises. Trend in U.S. Confirmed. New Report by Census Bureau Shows Gap Is at Its Widest Since World War II.'' That is another part of this debate.

Mr. WELLSTONE. Absolutely.

Mr. HARKIN. Because any time you have high interest rates, think about it as a transfer of wealth from the middle class to the richest class. Because, after all, who borrows money? It is our working families. They borrow money to buy a car, they borrow money to buy a house, they borrow money to send their kids to school, and when they pay these exorbitantly high interest rates—and I will get to that in my remarks later—that is a hidden tax on our working families.

So I say people ought to look at this and start asking questions about our monetary policy and how that affects the disparity between the rich and poor in our country.

I thank the Senator from Minnesota for pointing that out.

Mr. WELLSTONE. Mr. President, my colleague essentially made what was my second point. One had to do with the Employment Act of 1946 and what is the mandate of the Federal Reserve Board and how this monetary policy has, in fact, made it impossible for our country to achieve what should be the No. 1 domestic priority, which is an economy that produces jobs that people can count on, jobs at decent wages, living-wage jobs under civilized working conditions where men and women can support their families.

This is the tradeoff. Some people are very generous with other people's suffering. It is great for bond holders, great for Wall Street. It is not great for Main Street. It is not great for wage earners. It is not great for farmers. It is not great for small business people. It is not great for homeowners. It is not great for people trying to afford a higher education for their children. And the second point is precisely this: there is a rather significant correlation between the tight monetary policy and the lopsided economy we have. That is what we have right now. We ought to be focusing on how we can raise the standard of living of middle-class and working families in our country.

I suggest to you one of the reasons we have not been able to do that, one of the reasons that the bottom 60 percent has been standing still and even losing ground over the past 20 years-plus is because of this monetary policy. It is time we debate it and, I must say, that I believe that this policy has been profoundly mistaken with very harsh consequences for the vast majority of working people in this country.

Mortimer Zuckerman, in an editorial in U.S. News & World Report, wrote:

> Alan Greenspan's ''dear money'' leadership has caused the Fed to exert a monetary choke hold on one of the weakest economic recoveries since World War II at the cost of billions of dollars in lost output and tens of thousands of uncreated jobs.

That is the point I was trying to make.

The renowned economist, James Galbraith, criticizes Greenspan this way:

> He is pathologically adverse to full employment, pathologically overanxious about inflation. His policies are the reasons, for the most part, that unemployment has stayed high and that wages have not raised in the past decade, and he's determined to keep things that way.

Again, that is my point about this whole issue of good jobs and good wages.

Finally, Felix Rohatyn writes:

> Every major American social and economic problem requires stronger economic growth for its solution. This includes improvements in public education, as well as increasing private capital investment and savings, balancing the budget and maintaining a social safety net, improving the economic conditions in our big cities and reducing racial policies as a result.

This, again, is tied in to the whole question of monetary policy. Thomas Palley, of the New School for Social Research, writes:

> Greenspan's ''soft landing'' has been perfect for Wall Street, keeping the lid on wages while keeping consumer demand strong enough to earn massive profits.

Mr. President, I think Felix Rohatyn is right on the mark. I maintain that this debate is not about one person. This is a debate about monetary policy that should be a front-burner issue in the United States of America. This is policy that can make or break people's lives; that can make or break small businesses; can make or break farmers, I say to my colleague from North Dakota; can make or break middle-class families; can make or break working people.

The key to decent jobs at decent wages, the key to investment in our cities, the key to economic opportunities, the key to improving the standard of living for the vast majority of people in this country is a combination of a number of different things. I suggest that one critical piece is monetary policy.

I believe that Chairman Greenspan's policies have, again, been profoundly mistaken and I think have had serious consequences for the vast majority of people in this country. I would rather stand for Main Street interests, I would rather be on the side of small business people, I would rather be on the side of working families, I would rather be on the side of middle-income Americans, I would rather be on the

side of growing this economy, I would rather be on the side of jobs with decent wages, I would rather be on the side of economic fairness, I would rather be on the side of economic opportunity and, for those reasons, I will vote ''no.''

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. DODD. Mr. President, I do not see the distinguished Senator from New York, but I believe pursuant to an earlier agreement, I am to be recognized after Senator WELLSTONE's remarks. I understand we are operating under a 5-minute constraint.

Mr. President, let me paraphrase, if I can. First of all, let me say to my colleague from Iowa, I, too, appreciate the fact he has raised this issue. I think it is important we have a debate and certainly a debate about monetary policy is not inappropriate at all.

I think we will be making a tragic mistake, I will say this morning, if we do not confirm the nomination of Alan Greenspan and, I will add, Alice Rivlin and Laurence Meyer as well. We all are very familiar with Alice Rivlin, since she's currently Director of the Office of Management and Budget. She was also the first Director of the Congressional Budget Office and is very well known to many Members. I think she will do a wonderful job.

Laurence Meyer, a highly respected economist, I think will do a remarkably fine job as well.

I believe that the President has done an excellent job in selecting these three nominees and he should be commended for presenting the Senate with such laudable choices for service on the Fed Board.

I will not disguise, Mr. President, the fact that I was a strong advocate of Felix Rohatyn to be Vice Chairman of the Federal Reserve Board. That nomination, unfortunately, did not get much of a hearing in the Senate, despite the President's support for him. I thought Felix's addition to the Board would have created a wonderful debate—the kind of debate, in fact, we are having to some degree this morning—within the Federal Reserve Board about growth.

The absence of Felix Rohatyn does not make that debate impossible, but I felt his addition to the Board would have been healthy for the country to have a good discussion about how you achieve a higher growth rate without also fanning the flames of inflation.

Obviously, that did not occur. I have great respect for Felix Rohatyn, and I believe he can still make a significant contribution. I urge my colleagues to follow his writings on growth and how we might achieve it. I point out, as he has said, and this is something with which I totally agree, that while monetary policy obviously has a lot to do with growth, tax policy also is a major element of our growth rates. Investing in the infrastructure of this country has a great deal to do with whether we achieve growth. And, clearly, education and training has a lot to do with whether or not we can grow properly. There is not just one issue. Monetary policy is important, but there are other major elements that contribute to our ability to grow.

Let me just say, Mr. President, to those who are focusing on the interest rate debate, and I certainly have been as critical as others when the interest rates have gone up. I did not think in several instances it was warranted over the last several years. But it is undeniable as well that we have created more than 10 million new jobs over the last number of years in this country, an unprecedented growth rate in employment. We are witnessing the lowest misery index rate in 28 years. That is a combination of inflation and unemployment.

I remember very well what it was like back in the late seventies—you want to talk about a tax; inflation is a tremendous tax on people—when it was 20 percent inflation rates. You talk about jobs and middle-income people and homes, when you have staggering inflation rates, it is crippling to people.

I am a strong advocate that we can grow more than 2 or 2.5 percent. Frankly, if we just grow two-tenths of a percentage point more, we would just about wipe out the deficit—two-tenths of a percentage point and we would just about wipe out the deficit.

But I am also very conscious of the fact that it is relatively easy for me as a Member of Congress to be able to advocate that, but also understanding when I advocate certain monetary policies, there can be inflationary implications to it. So I have to be very aware of that as I make those decisions, if I am sitting on the Federal Reserve Board.

So while I get frustrated and I get angry from time to time, we set up a system in this country to insulate, if you will, the Federal Reserve from the vagaries of day-to-day emotions of the country when it comes to these policies. Rather than setting them on a daily basis where we could fluctuate back and forth, we provide some stability to it, so that there is an opportunity for these decisions to be able to work themselves out and then determine the full, broad implications of them.

So while I want to see us grow more—and I think there are things that can be done, such as encouraging savings in the country and not rewarding debt—these stories we have over the last several days of the highest rates of consumer debt in a number of years, I think they are primarily due to the fact that we reward debt, we encourage it, we allow you to deduct it from your taxes. But if you save in this country, you do not get a reward at all.

I encourage all my colleagues to look at a proposal by Senator DOMENICI and Senator NUNN that would contribute toward a tax policy that would contribute significantly toward our savings rate. As Senator MOYNIHAN, the ranking member of the Finance Committee, pointed out, it is fiscal policy as well.

This is not a partisan policy. But the fact of the matter is, we have had 3½ years of consecutive deficit reduction. It is the first time since the Truman administration that has occurred. The size of the Federal work force is coming down. The Federal bureaucracy and the regulations are being reduced. As a result, that is contributing, I think, to the reaction in the markets. That, plus monetary policy, have given us this period of tremendous stability, significant growth, and I think creating new opportunities.

My State, I will tell you quickly, has not been one of those that has benefited from all this in the short term. We are going through the pains of the end of the cold war in a State that is dependent upon defense contract work. We had a tremendous problem with real estate in the Northeast in the mid-1980's. The recession and the credit crunch dealt us a significant blow.

So I know, just when you are talking about the States that have felt the kind of recovery that is being talked about today, my State is not one of them. Connecticut has not been one. We think that will change in the coming years, as we begin to make the transition to an economy not based as heavily as it has been on defense contract work.

But, nonetheless, I happen to believe that a steady, reliable hand here makes some sense. So, Mr. President, while I think it is extremely important for us to have this debate and to discuss monetary policy, I, for one, would like to see us do away with the geographical requirements to serve on the Fed. I think the term of the Fed Chairman ought to coincide with the Presidential term, something my colleague from Iowa has recommended over the years. Those are suggestions that I think are worth debating and, hopefully, adopting here.

But on the fundamental question of whether Alan Greenspan has done a good job at the Fed, despite my disagreements from time to time, I think the strong bipartisan answer ought to be a strong, resounding yes. For those reasons, I will vote for confirmation.

Mrs. HUTCHISON addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I rise to support the nomination of Alan Greenspan to be Chairman of the Federal Reserve Board. As you can see, this appointment has strong bipartisan support. More than any other appointment that the President will make, this one must foster stability—in our markets, on Wall Street, and on Main Street. That is why the reappointment of Chairman Alan Greenspan is so important.

Mr. President, as my friend and colleague from Minnesota, Mr.

WELLSTONE, has just noted, stability on Wall Street has a lot to do with stability on Main Street. Let me show you a chart that shows the stabilizing impact Chairman Greenspan has had on the markets. These are conventional mortgage interest rates, which are the rates working families pay when they purchase a home. As you can see, rates were gyrating from high to low and back again when Chairman Greenspan took office. Yet soon after becoming Chairman, these rates went from wild fluctuations to the smooth, lower mortgage interest rates we now have.

Let us next look at the inflation rate in consumer prices. Again, directly following the beginning of Chairman Greenspan's term you begin to see a lower, less fluctuating inflation rate and therefore lower, more stable consumer prices. What could be more important to Main Street than stable, low consumer prices and stable, low mortgage rates? This is what affects our daily lives in America as much anything else.

Chairman Greenspan's term has shown us the value of low inflation accompanied by predictability and stability. We no longer have a gold standard, but we do have something I would call ''The Greenspan Standard.'' That standard results in low inflation, low interest rates, strong financial markets and, contrary to the arguments of his critics, continued low unemployment.

He is a proven, independent, steady hand at the helm. Everything we are speaking about today says one thing—a steady hand at the wheel. That might be the most important thing we can ask from the Chairman of the Federal Reserve Board.

Regardless of the President's policies, we should all agree that the Chairman of the Federal Reserve Board must be independent. Regardless of political comings and goings in Washington, we need someone who will protect one of the most important indicators of the economic strength of this country. That is the U.S. currency, and that is what Chairman Greenspan has done.

He has resisted pressures to pursue one policy or another for short-term political gain. He has kept his eye on the financial horizon. He continues to speak out for a balanced budget. He is holding down inflation while preserving GDP growth. Everyone has confidence that he can enhance the stability and predictability of the U.S. dollar.

Additionally, it is important for the Chairman of the Federal Reserve to understand crisis management, to foresee economic troubles on the horizon. We must have a Fed Chairman who can sense economic trouble before it happens and act decisively to keep problems from becoming disasters.

That has been one of Alan Greenspan's most important responsibilities at the Fed. People sometimes joke about predicting the weather or predicting the economy because no one can do it perfectly. That is why we need someone like Chairman Greenspan. Since there is no economic crystal ball, his time-tested experience and expertise helps him appreciate the difference between short-term conditions and long-term trends—and thus act accordingly.

If you look at his record, one of the most telling attributes of ''The Greenspan Standard'' has been his ability to anticipate what could have become major disasters but, because of his steady hand, did not.

For instance, the stock market crash of 1987 did not lead to a recession. That is a phenomenal achievement. It was because we had an experienced, steady Fed Chairman. When that crash came, we could have barreled into a recession. But he was there to cautiously and correctly oversee our Nation's monetary policy.

What about the failures in the thrift industry in the late 1980's? That could have led to the collapse of our entire banking system. But it did not, due in large part to the confidence our Nation had in Fed Chairman Alan Greenspan. He is a proven crisis manager and has always been a steady hand at the wheel.

The PRESIDING OFFICER. The Senator's time has expired.

Mrs. HUTCHISON. Mr. President, I will end by saying there is no other person in America who has the confidence of elected officials and economic experts, of Wall Street and Main Street, who can anticipate monetary problems before they reach crisis stage. There is no one else who can measure up to ''The Greenspan Standard.'' For these reasons, I urge the Senate's support. Thank you, Mr. President.

The PRESIDING OFFICER. Who yields time?

Mr. HARKIN. Mr. President, how much time do I have?

The PRESIDING OFFICER. Thirty-four minutes. The Senator from New York has 23 minutes.

Mr. HARKIN. Mr. President, I yield 5 minutes to the Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I want to thank the Senator from Iowa for this time. I first want to commend the Senator from Iowa for triggering this debate and initiating this discussion.

We have two elements that contribute to economic policy in this country: Fiscal policy, that is run by the Congress and the President of the United States, and monetary policy, that is governed by the Federal Reserve Board. It is this combination of fiscal and monetary policy that determines the health of the U.S. economy.

Mr. President, when Alan Greenspan was first nominated and the first confirmation vote was held on the floor of this Senate, I was one of two votes in opposition at that time. I was in opposition because I believed Mr. Greenspan's entire record reflected a view that he favored a high interest rate policy.

Mr. President, this has nothing to do with personalities. I personally admire Mr. Greenspan. I find him to be an engaging individual and have enjoyed visiting with him, but I profoundly disagree with his monetary policy of the United States.

His monetary views have been confirmed by his actions as head of the Federal Reserve Board. What could be more clear? In 1994 and 1995, he raised interest rates seven times in a row. Effectively doubling interest rates during that period, or nearly doubling them. He did this based on a threat of inflation.

Mr. President, he was fighting yesterday's war. He was fighting yesterday's battle. He did profound damage to the economy of the United States.

Mr. President, there was no evidence of inflation in 1994 and 1995. As Mr. Greenspan, time after time, led the Federal Reserve Board in a sequence of actions to raise interest rates and, as I say, nearly doubled them.

What was this effect on the U.S. economy? The effect was to take the growth out of this economy, to take the job generation that was moving along at a healthy level, and dramatically reduce it.

Mr. President, this was a profound mistake. History will record that Mr. Greenspan was dead wrong—dead wrong. He is of the old, static view. The old, tired, view that if you do not raise interest rates as jobs are starting to be created, inflation will be kicked off. The problem with that view is the world economy has changed. It has profoundly changed what policymakers in this country think ought to be done.

Mr. President, what could be more clear—we have moved below 6 percent unemployment in this country. That level has traditionally been viewed as the level at which inflation would be triggered. There is no inflation. There was no inflation in 1994 and 1995 when Mr. Greenspan moved to raise interest rates.

Look at the chart of the Senator from Iowa. It shows clearly, in 1994, interest rates were 3 percent; 1995, they doubled to 6 percent. Going back to that time, was there any evidence of inflation anywhere? I ask my colleagues, where was it? It was not at the wholesale level. It was not at the retail level. It was not at the commodity level. There was no evidence of inflation then, nor is there much evidence of inflation now.

The fact is, at the time Mr. Greenspan was taking these actions to dramatically raise interest rates to slow this economy, to kill the job-generating power of this economy, to put our workers in a place where they could start to see raises after 20 years of stagnation, Mr. Greenspan made a profound series of mistakes: raising rates, time after time, killing the energy in this economy, and doing it on an old, tired notion of an economic theory that no longer relates to reality.

Mr. President, what could be more clear? There was no evidence of inflation. There was no evidence of inflation because the economy has changed. The economy has profoundly changed. Now U.S. workers are not just competing against other U.S. workers; U.S. workers are competing against workers worldwide.

All one has to do is go to Indonesia and see people working for $1 a day and go to other parts of Asia and see people working for 50 cents a day to understand why we have seen no real increase in wages in this country for 20 years. Because the world economy has changed, American workers and American businesses are no longer competing just against American workers and other American businesses. They are competing on an international and global-reach basis.

As a result of that, reduced unemployment in this country does not trigger off the kind of wage inflation one saw in the past. What could be more clear? What could be more clear?

Mr. President, business leader after business leader has told us inflation is not present, has not been present, and that we ought not to pursue this high-interest-rate policy. Let me quote John Welch, chairman of General Electric:

> We don't see a connection between the numbers out there and what we feel in our business. There's absolutely no inflation. There's no pricing power at all.

Mr. President, that is John Welch, Jr., chairman of General Electric.

Dana Mead, chief executive of Tenneco Inc.:

> I believe very strongly that the Fed should be leaning more toward growth and not be so concerned with the threat of inflation.

Felix Rohatyn said:

> There was a time when 2.8 percent would have been considered a modest rate of growth; today, it is considered dangerously robust. Most corporate leaders don't agree with this notion of dragging the anchor just as soon as the economy has wind behind it. They understand how we can sustain high growth based on muscular productivity improvements they are generating in their own businesses.

James Robinson, former CEO of American Express, said:

> Inflation is not a threat in the United States. Nor is it for the foreseeable future. It has been remarkably flat and will remain so unless the Fed or the markets begin spurring inflation with high interest rates. The old domestic indicators, while perhaps important in gaging narrow trends, no longer determine the broader inflation outlook.

Mr. President, what could be more clear? We are engaged in a new world economy where as unemployment falls below 6 percent, it is no longer a trigger for inflationary wage pressures. Why is that? It is because we are now engaged in global competition. Our workers are up against the workers in Mexico who are getting one-third as much. Our workers are up against workers in Indonesia who are being paid $1 a day.

These are new realities. Mr. Greenspan has not adjusted to them. As a result, he has kept interest rates far too high. He is killing economic growth. He is killing a chance for American workers to receive the increases they so justly deserve. This is a flawed economic policy. It ought to be stopped.

I voted against Mr. Greenspan. At that time, there were only two of us voting against his first confirmation. I will vote against him, again, today. I dare say, there will be more than two votes against his nomination this time.

I yield the floor.

Mr. MACK. Mr. President, I inquire as to the amount of time remaining.

The PRESIDING OFFICER. The Senator has 24 minutes, and the Senator from Iowa has 25 minutes.

Mr. MACK. I yield 5 minutes to Senator FAIRCLOTH.

Mr. FAIRCLOTH. Mr. President, I rise in strong support of Mr. Greenspan. I think his reappointment a Chairman of the Federal Reserve Board is one of the most important things we are going to be voting on in this session.

First, let me talk about Mr. Greenspan as an individual. He is a man of unquestioned integrity and honesty. I have come to know him well since my election to the Senate in 1992. The Chairman of the Federal Reserve Board has an incredibly important job. For this reason, I think that having someone with Mr. Greenspan's character and standing is vitally important.

Mr. Greenspan's tenure at the Fed since 1987 has been marked by a great stability in our economy. Since 1991, inflation has not been above 3 percent. Since he was first appointed in 1987, only once has inflation exceeded 5 percent. This is an amazing record of reliability, and it is one the American people have benefited from greatly.

Do we really want to return to the days of 20 percent inflation and 20 percent interest rates, when inflation was ravaging the savings of Americans? I well remember the days, as I had several million dollars worth of automobiles on my floor plan that I was paying that 20 percent on.

I have heard speeches today about the need to create jobs versus inflation. If you look at the front page of the Washington Post, it says, ''Labor Shortages May Be Slowing Economy.''

We are talking about looking for jobs where they offer a bonus, an incentive to find someone to work in fast foods. Can you imagine? And then they say that we still need people—people are looking for work, and we have unemployment. I can tell you that there is not much unemployment in this country today. Anybody that wants a job can find one. Companies are giving bonuses for low-wage jobs.

What this article says is that we are close to full employment right now. Given this reality, I really fail to see the argument that the Federal Reserve has endangered job growth to keep inflation low. This article suggests that we have both, and I think they are absolutely right.

Mr. President, much of this debate has been about economic growth. There seems to be a belief that someone somewhere has decided that we should not have economic growth, or that it should be at a certain level. Growth in the United States is not artificially set. Our level of growth is determined by the policies we pursue here in Congress.

How much growth can we have when we have spent more than two decades without balancing the budget? How much growth can we have when we are $5 trillion in debt? How much growth can we have when we spend $230 billion a year in interest payments? How much growth can we have when 41 percent of all income taxes sent by our citizens to Washington is used to simply pay the interest on the debt?

If we want growth, we have to unleash the private sector. That is where growth is. But every time someone attempts to make money in this country, this society, we either regulate it or tax it. How can we achieve growth in this type of environment? The irony is that the Federal Reserve policies have served us well by maintaining a low inflation environment.

Can you imagine how much deeper in debt we might be if we did not have low inflation, if we had to borrow money at 10 to 20 percent? Can you imagine the cost to the Federal Government if cost-of-living adjustments had to be paid for runaway inflation? Would job growth simulate revenue to the point to pay for the risk of inflation? I do not see how if, as the Washington Post reports today, we have close to full employment.

I think the issue is clear. We need price stability in the economy. This is the kind of policy that we have had for the past several years, and that is why I think President Clinton chose to renominate Alan Greenspan. Even President Clinton, with whom I do not agree on most matters, sees the wisdom of having him at the helm of the Federal Reserve.

Mr. President, let me conclude that I am in strong support of Chairman Greenspan and urge my colleagues to support him, also.

I yield the remainder of my time.

Mr. MACK. Mr. President, I yield 5 minutes to Senator BOND.

The PRESIDING OFFICER (Mr. GREGG). The Senator from Missouri is recognized.

Mr. BOND. Mr. President, I rise today in support of the nomination of Alan Greenspan as Chairman of the Federal Reserve Board.

As Fed Chairman, Mr. Greenspan has earned the respect of national and international business and financial communities. During his 8-year tenure, economic performance has been remarkable—consumers and businesses alike have benefitted from a lengthy period of stable, predictable prices. Interest rates have reached near historic lows, and millions of Americans have realized their dream of purchasing a home.

Mr. President, I believe Mr. Greenspan's achievements deserve high praise. Let me just take a moment to highlight two basic, but major accomplishments: the economy has grown during 7 of the last 8 years, and both unemployment and inflation have declined.

Mr. President, let me reiterate that praise for Mr. Greenspan's record is not limited to persons on this side of the aisle. In testimony before the Banking Committee, the President's Budget Director stated:

> . . . at the moment, the economy, at last at the aggregate level, is performing extremely well. Unemployment is lower than many economists would have thought possible without igniting inflation, yet inflation is not visibly accelerating . . . The challenge now, both for monetary and fiscal policy, is to keep up the good work and find the continuing set of policies that will enable the U.S. economy to attain maximum sustainable growth as we move into the 21st century.

Mr. President, let me just conclude my remarks with a brief commentary on economic growth.

I have listened to my colleagues argue that current economic growth rates pale in comparison to those in the 1950's and 1960's. The reality, however, is that the Fed cannot control long-term growth and employment. In fact, slow population growth and limited productivity increases, have played major roles in limiting economic growth to 2.5 percent—and we all know the Fed has almost no control over either of these trends.

What the Fed does control is the amount of money in circulation and the price of goods. The Fed can enhance economic growth by removing inflationary fears and encouraging investment. During sluggish economic times, the Fed can cut interest rates and spur investment and boost economic activity. However, there are limits on how far the Fed can go. At some point, unemployment will decline so much that wage and price inflation soar. I need only refer to my earlier comments on employment and growth as evidence of Mr. Greenspan's accomplishments in these areas.

Mr. President, as we all know hindsight is 20–20 vision, and a case might be made that the Fed has erred in the direction of caution the past couple of years. But the errors have been slight and the impact small. The reality is that Mr. Greenspan has kept the economy on a steady course through major national and international turmoil. In light of his leadership, I strongly support the renomination of Alan Greenspan as Chairman of the Federal Reserve Board and urge my colleagues to join me.

Mr. President, again, I strongly support the renomination of Alan Greenspan to be Chairman of the Federal Reserve and the nomination of an outstanding Laurence Meyer, an outstanding Missourian, to serve on the Federal Reserve Board of Governors.

I believe the Federal Reserve, which is only one tool that affects economic growth and inflation in this country, has done an outstanding job with the fiscal policy which has threatened to bring back inflation and stifle job growth. I think the record that has been established by Mr. Greenspan is an outstanding one.

LAURENCE MEYER

Mr. President, I also rise today in support of a fellow Missourian, Dr. Laurence Meyer, for his nomination to the Federal Reserve Board of Governors. With more than 27 years experience in academics, consulting, and economic forecasting, Dr. Meyer is a leading figure in national economic forecasting and development. I believe that his background in the public, private and academic sectors make him uniquely qualified for a position on the Federal Reserve Board.

In my home State of Missouri, Dr. Meyer has played a key role in the development and expansion of the economics department of Washington University. As former university professor and department chairman, Dr. Meyer has been recognized repeatedly for his academic achievements by students and faculty alike. Fellow economists similarly appreciate his expertise, having twice granted him the prestigious Annual Forecast Award for being the most accurate forecaster on the panel for the Blue Chip Economic Indicators.

Having served as an economist at the New York Fed and as a visiting scholar in the St. Louis division, Dr. Meyer also brings a personal, in-depth understanding of the unique role and purpose of the Federal Reserve Board.

As an adviser to each of the last three Presidents, Dr. Meyer has demonstrated an ability that is truly rare in Washington—the capacity to rise above partisan politics. Even today, Dr. Meyer counts among his clients the President's Council of Economic Advisers, the office of OMB, and the Departments of Treasury and Commerce. To balance his perspective, Dr. Meyer also advises our House colleague and Budget Committee Chairman JOHN KASICH on budget-related issues.

Finally, Dr. Meyer also represents the entrepreneurial spirit in all Americans. Almost 15 years ago, this university professor and two former students invented the first macroeconomic model that could be programmed into a personal computer. Today, his business sells models and forecasts to major corporations and governmental agencies across the Nation.

In conclusion, Mr. President, I believe Dr. Meyer's experience in public, private and academic arenas will prove invaluable as we move into the 21st century.

I urge my fellow Senators to support his nomination.

ALICE RIVLIN

The third nominee causes me a great deal of difficulty, because, as I said initially, I felt that Dr. Rivlin had good credentials and had been a good economist that worked at various posts. However, my experiences over the last several months, as we worked on the budget in appropriations, have led me to have grave reservations.

We all know that the President submitted a budget that he says, under CBO scoring, reaches a balance in 2002. It does reach a balance in 2002 if it includes the automatic trigger—the cuts of 10 percent in 2001 and 18 percent in 2002—that they established.

Well, some say the budget the President submitted includes significant cuts even before that. I happen to chair the subcommittee that handles the appropriations for the Veterans' Administration, EPA, NASA, and HUD. When Secretary Brown of the Veterans' Administration came before me, I asked him about the budget that the President had submitted. This, Mr. President, is the budget that has been submitted by the President for the Veterans' Administration. You will note on the chart that, after going up nicely in 1997 during an election year, it falls off precipitously, from over $17 billion to around $13 billion in the year 2000. That is before any triggers occur. I asked the Secretary of the VA, who has complained bitterly about having his budget held flat, how he was going to live with those drastic draconian cuts. I was stunned when he told me that he had been assured by the President and his people that he did not need to worry about those cuts. In other words, we did not have to worry, as we looked at the increases proposed for this year, about what would happen when a quarter of the budget of the Veterans' Administration would be cut out by the year 2000, and they would not be able to build new hospitals and have new programs. How were they going to do it? The Secretary of the VA told me he had been assured that they were not going to make those cuts. I was dumbfounded.

And then the head of NASA came before me, and I asked about the $3 billion dollar-plus cut in NASA budget. He said he had been told not to plan on those cuts because he would not have to make them.

I got similar assurances from the Administrator of the EPA, Carol Browner. She said, ''I have been assured that my agency is not going to be cut.''

I went into another subcommittee and asked HHS Secretary Donna Shalala how she would live with the cuts, and she outlined a whole list of programs that would not be cut.

Well, Mr. President, nobody would own up to the fact that there had to be cuts. When I presented this budget showing the Clinton budget figures, a representative of the Office of Management and Budget was quoted in a newspaper, the St. Louis Post Dispatch, saying that I was misrepresenting their budget. Misrepresenting their budget? Mr. President, these are the figures. These are the figures—unless the Clinton administration has two sets of books. Under one set of books, they would assure those of us who believe in the compelling need to balance the

budget that they really are going to balance the budget. On the other hand, there is another set of books that apparently is shown to department directors and the interest groups they serve, in which they assure them that there are going to be no cuts.

Which is it? I found this to be very troubling. The OMB is presenting two sets of books. This is a shameless charade. The President says that we are going to balance the budget. Yet, he says, no, we are not going to make any cuts. We asked in a letter signed by my colleagues to Dr. Rivlin whether they were going to follow the budget and make the cuts necessary to balance the budget, or whether there was another set of books. The letter that she responded to us with says that we are going to work together and everything is going to come out all right, and we will make the cuts.

Mr. President, I am deeply disappointed in Dr. Rivlin. She is willing to subvert her professional judgment in submitting a budget to the political directives of the White House to avoid any cuts. I regret to say, and I am sorry to say, that I do not believe we can afford to have someone willing to subvert their professional judgment to political directives serving on the Federal Reserve Board. I must oppose her nomination.

Mr. MACK. Mr. President, I yield 1 minute to the Senator from Virginia, Senator WARNER.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. WARNER. Mr. President, I rise to speak on behalf of Mr. Greenspan whom I have known for many, many years.

Today, particularly in this town, the word "character" is being referred to very often. So I thought I would go to the Thesaurus, Roget's Thesaurus. I will quote from Webster's and Roget's Thesaurus.

Webster's, of course, says, "Moral or ethical quality; qualities of honesty; courage, or the like; integrity; reputation." And the Thesaurus says, "Probity, rectitude, upright, integrity, honesty, honor, worthiness," and right on down.

I will put the rest of them in.

But I can tell you. I have known Alan Greenspan very, very well for a number of years. I cannot find any of the definitions relating to "character" in any of the leading sources that conflict in any way with this man's own character. He is a monument to the definition of "character."

And I am privileged to vote to have him continue in the service of this country.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. HARKIN. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator has 25 minutes.

Mr. HARKIN. Mr. President, I yield myself 15 minutes.

The PRESIDING OFFICER. The Senator is recognized.

Mr. HARKIN. Mr. President, first of all, I want to thank Senator DASCHLE and Senator LOTT for making sure that we had this time for debate.

Some of my colleagues have said before—and I have said since this nomination came down to us in March—that what we wanted was some time to lay out the record and to debate monetary policy. I wish we did this more often.

This is not a debate about personalities, or character. I have a great deal of respect for my friend from Virginia. It is not a debate about character at all. I and others happen to think that Mr. Greenspan's performance at the Fed has left us wanting in this country; and that his guidance and direction of the Fed is taking us in a slow growth path that is robbing us of jobs and economic growth in this country. It has nothing do to do with character.

I just happen to think that Mr. Greenspan happens to be wrong. I and those of us who are taking this position are not alone in that assessment.

I will read some quotes from a lot of people that believe that Mr. Greenspan basically has the wrong concept of what is happening economically in America today.

So what is this debate really about? Is this a lot of economic terms? I have been guilty myself. I have thrown out "NAIRU"; "price deflators"; and "CBI's." And people's eyes tend to gloss over when we talk about those things. Sometimes we have to get down to what this debate is really about.

It is about working men and women; it is about small business; it is about our farmers; it is about the middle class; it is about the impact on their lives from a policy of high interest rates—a policy that says that every time we have a spurt in growth the Fed raises its interest rates and slams on the brakes. This debate is about growth in our economy.

There are those who look at the last several years of Mr. Greenspan's stewardship at the Fed and say, "Well, we have had growth." Well, yes. We have. It has been comparatively about a C average. If we are happy with a C average in America, fine. I am not. I believe we can do a B, or an A in America. I believe our workers can be even more productive. I believe technological changes that are rapidly coming on line are going to increase our productivity.

To say that we have reached some plateau of growth is like saying that when the cavemen invented the wheel they said they did not need anything else. I am sure they probably thought at that time that they did not need anything else. They had reached their limits.

We have heard it time and time again—that somehow we have reached our limits of growth in America. I do not buy that for a minute. And I do not buy it—that we can only grow 2 or 2.5 percent when there are so many indicators out there that we can grow at 3 or 3½ maybe as much as 4 percent for a sustained period of time, and not just 1 year.

You look at Mr. Greenspan compared with the years before him. We look at growth from 1959 to 1987 versus 1987–95. What do we find under Mr. Greenspan? We find that in the previous year before Mr. Greenspan real GDP averaged 3.4 percent growth. Under Mr. Greenspan it averaged only 2.2 percent growth.

Income per capita averaged 2.5 percent growth prior to Mr. Greenspan; only 1.2 percent under Mr. Greenspan.

Payroll and jobs: 2.4 percent prior to Mr. Greenspan; 1.7 percent under Mr. Greenspan.

And, productivity: Prior to Mr. Greenspan, our productivity went up at an average rate of 2.3 percent per year; under Mr. Greenspan, it has only been 1.1 percent.

So I guess, if you are happy with this kind of lackluster performance in our economy and what the Fed has been doing, I submit that you probably ought to vote for Mr. Greenspan because that is the direction he is guiding and directing our Federal Reserve policy. I do not think that is acceptable for America. I believe we can do better than that. And it is monetary policy that is doing it. It has nothing to do with our vote here in the Senate or in the Congress. It has to do with what the Fed is doing with interest rates.

Again, I would say that this is not a debate as some have said between high inflation and low growth, that somehow if we grow faster we are going to have high inflation, and, therefore, we cannot have that high growth because we want low inflation.

Mr. President, I refer my colleagues to chapter 9 of Lester Thurow's new book called "The Future of Capitalism." I am going to read certain parts of it because I know that Mr. Thurow has done a very good job in pointing out that the "beast of inflation" has indeed been slain and that we are fighting old battles. As my friend from North Dakota said, Mr. Greenspan is fighting a war that occurred back in the 1970's but we keep dredging it up all the time.

Here is what Mr. Thurow had to say. He said:

> In the 1970s and 1980s fighting inflation became the central preoccupation of the industrial world. . . . The factors that produced inflation in the 1970s and 1980s simply disappeared, and structural changes have occurred to make the economies of the 1990s much more inflation-proof than those of the 1970s and 1980s. . . . But as is often the case, beliefs change more slowly than reality. Inflation is gone but inflation fighting still dominates central bank policies. . . .
>
> The problem can be seen in the activities of the American Federal Reserve Board in 1994 and 1995. At the beginning of 1994 the Fed saw an economy so inflation-prone that even what was by historical standards a slow recovery from the 1991–1992 recession (2.4 percent growth in 1993; 3.5 percent in 1994) represented an overheated economy. Because of

this belief, seven times in twelve months, from early 1994 to early 1995, the American Federal Reserve Board boosted short-term interest rates.

How much? One-hundred percent. To this day, when I tell audiences that the Fed increased interest rates under Mr. Greenspan by 100 percent in 1 year, they do not believe me. But this is the fact. Since February 1994, Federal funds rate, 3 percent; February 1995, 6 percent. And what has happened since then? We have only come down three-quarters of a point, and we are still at this very high level.

I am quoting now from Mr. Thurow's article:

Yet every time, the Chairman, Alan Greenspan, admitted that the Fed could not point to a hint of inflation in the current numbers. The Fed could not point to inflation because there was no inflation. The broadest measurement of inflation, the implicit price deflator for the gross domestic product, fell from 2.3 percent in 1993 to 2.1 percent in 1994. In the third quarter of 1995 it was running at the rate of .6 percent.

Mr. Thurow goes on:

If all of these factors are put together, the real rate of inflation outside of the health care sector was undoubtedly very low, perhaps even negative, during the entire period when Alan Greenspan was worrying about inflation. Greenspan could not see any inflation in the indexes because there was no inflation to be seen.

By raising interest rates in 1994, the Fed killed a weak American recovery that had yet to include many Americans and slowed a recovery that was barely visible in the rest of the industrial world.

Well, Mr. Thurow I think laid it out very clearly. As he said:

The numbers that have increased the Treasury bond rates and 30-year fixed mortgages are not because of inflationary expectations. They reflect an uncertainty and hence the risk premiums that investors must demand to protect themselves from a Federal Reserve Board prone to seeing inflation ghosts where they don't exist.

Mr. President, I ask unanimous consent that this article by Mr. Thurow be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE FUTURE OF CAPITALISM

INFLATION: AN EXTINCT VOLCANO

In the 1970s and 1980s, fighting inflation became the central preoccupation of the industrial world. Wage and price controls were tried in a number of countries, including the United States, but empirically it seemed to be impossible to control inflation without deliberately creating an environment of slow growth and high unemployment. Inflation was not conquered in this war. The factors that produced inflation in the 1970s and 1980s simply disappeared, and structural changes have occurred to make the economies of the 1990s much more inflation-proof than those of the 1970s and 1980s—just as the economies of the 1960s were much more inflation-proof than those of the 1970s or 1980s.

But as is often the case, beliefs change more slowly than reality. Inflation is gone but inflation fighting still dominates central bank policies. They still believe that the natural rate of unemployment—the rate of unemployment at which inflation starts to accelerate—is so high that they and the fiscal authorities must step on the monetary and fiscal brakes long before tight labor markets can push wages up.

The problem can be seen in the activities of the American Federal Reserve Board in 1994 and 1995. At the beginning of 1994 the Fed saw an economy so inflation-prone that even what was by historical standards a slow recovery from the 1991–92 recession (2.4 percent growth in 1993; 3.5 percent in 1994) represented an overheated economy. Because of this belief, seven times in twelve months, from early 1994 to early 1995, the American Federal Reserve Board boosted short-term interest rates.

Yet every time, the chairman, Alan Greenspan, admitted that the Fed could not point to even a hint of inflation in the current numbers. The Fed could not point to inflation because there was no inflation. The broadest measure of inflation, the implicit price deflator for the gross domestic products, fell from 2.2 percent in 1993 to 2.1 percent in 1994. In the third quarter of 1995 it was running at the rate of 0.6 percent.

Having fallen during the previous recession, the producer's price index for finished consumer goods in December 1994 was below where it had been in April 1993 and annual rates of increase decelerated from 1.2 percent in 1993 to 0.6 percent in 1994. In 1994 labor costs rose at the slowest rate since records have been kept, and the core rate of inflation (the rate of inflation leaving out volatile energy and food prices) was the lowest rate recorded since 1965.

The OECD in its end-of-the-year 1994 report saw no inflation ahead in the United States in 1995. Abroad in the world's second biggest economy, Japan, wholesale prices were 8.5 percent below 1990 levels and were still falling in mid-1995.

Officially, the rate of inflation in the consumer price index (CPI) fell from 3.0 percent in 1993 to 2.6 percent in 1994, but Chairman Greenspan had himself testified to Congress that the CPI exaggerated inflation by as much as 1.5 percentage points, since it underestimates quality improvements in goods (in computers, for example, it has performance rising at only 7 percent per year) and since it both has poor coverage and gives no credit at all for quality improvements in services. It is clear that service inflation is much smaller than reported.

An official government commission, the Boskin Commission, has estimated an upward bias of between 1.0 and 2.4 percentage points in the CPI. This is made up of 0.2 to 0.4 percentage points of bias, because the official index fails to keep up with consumers as they shift to cheaper products; 0.1 to 0.3 percentage points of bias, since the official index fails to keep up with consumers as they shift to cheaper stores; 0.2 to 0.6 percentage points of bias, because the index underestimates quality improvements; 0.2 to 0.7 percentage points of bias, since it lags behind in introducing new products; and a formula bias of 0.3 to 0.4 percentage points, due to the mishandling of products that come into the index at temporarily low prices.

If one is willing to assume that the sectors where quality improvements are hard to measure are in fact improving quality at the same pace as those sectors where quality is easy to measure (and it is hard to think of why they should be radically worse performers), the over-measurement of inflation may be closer to 3 percentage points.

In addition, health care inflation cannot be controlled with higher interest rates and slower growth. To know what is going on in that part of the economy that is potentially controllable with higher interest rates, health care inflation rates have to be subtracted from the totals. Since health care accounts for 15 percent of GDP and health care prices are rising at a 5 percent annual rate, mathematically another 0.75 percentage points of inflation (almost one third of 1994's total inflation) can be traced to health care. In reality, more than this amount can be traced to health care, since some of health care inflation gets built into the price indexes more than once. If states raise sales taxes to cover the costs of their health care programs, for example, health inflation shows up once as increased costs for health care and once as a sales tax increase in the consumer price index.

If all of these factors are put together, the real rate of inflation outside of the health care sector was undoubtedly very low, perhaps even negative, during the entire period when Alan Greenspan was worrying about inflation. Greenspan could not see any inflation in the indexes because there was no inflation to be seen.

Nor were there any private inflationary expectations at the beginning of 1994. None of the standard private economic forecasting services were suggesting that inflation would accelerate either. The first unexpected increase in interest rates in 1994 imposed hundreds of millions of dollars of losses on some of the world's most sophisticated investors (George Soros, Citibank), who had been betting that interest rates would fall or remain constant. If they had believed that there was any inflation over the horizon, they would not have placed those bets.

Theoretically, there is no reason why inflation should adversely affect capitalistic growth. Capitalists are smart enough not to suffer from money illusion. Negative effects only appear when inflation gets so high that speculation and inflation avoidance become more profitable than normal business activities and that requires hyperinflation before it occurs. Empirically, there is no evidence that modest rates of inflation hurt growth. Looking at the experience of over one hundred countries for a thirty-year period, a study for the Bank of England found no negative effects on growth for countries that averaged less than a 10 percent per year inflation rate and only very small effects for countries that averaged much more than 10 percent.

An argument can also be made that capitalism works best with something on the order of a 2 percent per year rate of inflation. Anything lower starts to create problems. If prices are falling, one can make money by holding one'e money in the proverbial mattress. To stimulate people to take the default risk of lending requires a positive money interest rate of 2 or 3 percent. As a result, if inflation is negative, real interest rates must be high. Real interest rates reached 13 percent in 1933 because prices were falling. Real interest rates cannot be very low unless there is a modest rate of inflation, and without low real interest rates, investment cannot be high.

In a dynamic economy some real wages need to fall to induce labor to move from sunset to sunrise industries. Real-wage reductions are very difficult and disruptive if they have to take the form of lower money wages. Labor rebels. But real-wage reductions are much easier to accomplish if the employer is simply giving wage increases smaller than the rate of inflation. The real reductions can be blamed on the amorphous system rather than on himself.

The same is true for prices. In any economy it is always necessary to change relative prices. If inflation is very low, that can only happen if many sectors experience falling money prices, but capitalism doesn't work very well with falling money prices. With falling prices there is an incentive to postpone. Why buy or invest today when tomorrow everything will be cheaper? In a

world of deflation the pressure to act is sharply reduced. Yet action is what causes economic growth. Zero is simply not the right inflationary target in capitalistic societies interested in growth.

When the Fed started raising interest rates in early 1994, it stated that it had to have higher interest rates now to stop inflation twelve to eighteen months into the future because of the time lags in the economic system. Growth in fact accelerated from 3.1 percent in 1993 to 4.1 percent in 1994 and was very close to what was expected at the beginning of the year. By the end of the year neither had the economy slowed down nor had the signs of inflation become more visible than they had been twelve months earlier. By September it was clear that 1994's inflation would be much less than the low rates that were forecast at the beginning of the year. The business press was proclaiming that ''the inflationary 'ogre' has been banished—maybe for good, certainly for the foreseeable future.'' Nor was inflation accelerating in 1995, even though monetary policies did not bring about the expected slowdown in economic growth until the second quarter of that year.

The Federal Reserve Board was chasing ghosts. Inflation was dead but the Fed wasn't willing to admit it.

While the 1970s and the 1980s were inflationary decades, the 1990s and the decades beyond are going to be very different. Inflation died in the crash in asset values that began in the mid-1980s with the collapse of the American savings and loan industry. This was followed by a collapse in property values that rolled around the world. A decade later both purchase prices and rents were still far below their previous peaks. The crash in the Taiwanese stock market was followed by a crash in the Japanese stock market.

While capacity utilization rates were rising in the United States during 1994, in a global economy it is world unemployment and world capacity utilization rates that count—not American rates by themselves. In 1994 the world was awash in excess production capacity. The rest of the industrial world was having a very slow recovery from the earlier recession—at the end of 1994 Japanese growth was strongly negative and European growth only marginally positive.

As we have also seen in detail in the last chapter, globally unemployment rates were at levels not seen since the Great Depression. Labor shortages were not going to be driving up wages for a long time to come.

U.S. measures of capacity and hence capacity utilization are also out-of-date. They don't reflect the outsourcing that has happened. Outsourcing means that effectively firms increase their production capabilities without having to invest themselves. But the capacity increases of their supplies remain unmeasured, since the capacity indexes assume that nothing has changed in the proportions of value added contributed by component suppliers and original equipment manufacturers (OEMs).

Investments in new information and computer technologies have also made it possible to get more output out of the same capital with fewer people. That is part of what downsizing is all about, yet downsizing is not reflected in official indexes of capacity.

The Fed also doesn't seem to understand that some important structural changes have occurred that make it impossible for inflation to arise from the grave. The addition of the Communist world to the capitalist world and the effective collapse of the OPEC oil cartel in the aftermath of the Persian Gulf War means that a repetition of the energy, food, or raw material shocks of the 1970s are simply impossible in the 1990s. Oil prices are lower in real terms than they were when the first OPEC oil shock happened in the early 1970s, yet exploration and exports from the old Soviet Union have barely begun and Iraq has yet to be brought back into world oil markets.

The real-wage declines that began in the United States are now spreading across the industrial world. The downsizing of big firms with high wages and good fringe benefits continues at an unrelenting pace. If anything, wage reductions are going to be accelerating. The second world and the rest of the third world will join the small parts of the third world that were export oriented in the 1980s. Downward price and wage pressures from these low-cost producers can only accelerate. In 1994 unit labor costs declined by 2.9 percent in manufacturing and rose by only 0.9 percent in nonfarm businesses.

At the same time productivity growth is running at the highest rates seen since the 1970s. In most of the 1970s and 1980s, service productivity was falling, but now it is rising. Services just aren't going to provide an underlying inflationary push as they did earlier. Wages down, productivity up—that simply isn't the recipe for inflation.

All across America large firms are forging new supplier arrangements such as those recently put in place at Chrysler. The number of suppliers is dramatically reduced, suppliers are guaranteed much larger sales, original equipment manufacturers (OEMs) share information and technical expertise with suppliers on design and manufacturing, but suppliers in return commit to annual price reductions in the components they supply to OEMs. The OEMs in turn pass some of these reductions on to their customers to increase market share.

The world is essentially back to the conditions of the 1960s, with much less inflationary-prone economies. Supply elasticities were high then because of the recovery from World War II and the economic integration forced by the cold war. Now supply elasticities are high because of the integration of the second world into the first world and the decision of most of the third world to replace import substitution with export-led growth.

Since World War II, American firms have typically held prices constant, or even raised them, while distributing the fruits of higher productivity in the form of higher wages or higher profits. But under the pressure of international competition, that system is rapidly eroding. In the 1990s many more of those productivity gains are showing up as falling prices and many less are showing up as rising wages.

Knowing that governments have lost their ability to shorten recessions also radically changes expectations. Producers know that they cannot hold prices constant while waiting for a quick recovery from cyclical downturns. The early 1990s demonstrated that no government would come running to the rescue with large fiscal and monetary packages designed to stimulate demand during recessions. Instead, recessions will be allowed to run their course and governments will simply wait for a recovery. If downturns are sharper and longer, business firms will have to reduce prices if they wish to survive those downturns.

There are no ghosts in the attic. Inflation is not about to rise from the dead.

By raising interest rates in 1994 the Fed killed a weak American recovery that had yet to include many Americans and slowed a recovery that was barely visible in the rest of the industrial world. In just two and a half months after the Fed initiated its actions, interest rates on thirty-year Treasury bonds had risen 1.1 percentage points and those on thirty-year fixed rate mortgages had risen 1.3 percentage points. These rates did not soar because there was a sudden upward adjustment in thirty-year inflationary expectations. These numbers reflect the uncertainty, and hence the risk premiums, that investors must demand to protect themselves from a Federal Reserve Board prone to seeing inflation ghosts where they don't exist.

If the battle against inflation is primary, central bankers will be described as the most important economic players in the game. Without it, they run rather unimportant institutions. It is well to remember that in 1931 and 1932 as the United States was plunging into the Great Depression, economic advisers such as Secretary of the Treasury Andrew Mellon were arguing that nothing could be done without risking an outbreak of inflation—despite the fact that prices had fallen 23 percent from 1929 to 1932 and would fall another 4 percent in 1933. The fear of inflation was used as a club to stop the actions that should have been taken. Central banks are prone to see inflationary ghosts since they love to be ghost busters. While no human has ever been hurt by ghosts in real life, ghost busters have often created a lot of real human havoc.

Since growth did not in fact slow down in the year in which Alan Greenspan was raising interest rates, the question Why worry? can be raised. The answer is of course that higher interest rates often act like sticky brakes. The driver pushes down on the brakes and initially nothing happens. So she pushes harder. Suddenly the brakes grab and the car is thrown off the road. And that is exactly what happened in the second quarter of 1995. Growth effectively stopped.

If the economy's maximum noninflationary rate of growth is 2.5 percent (the Fed's announced target), surplus labor is going to be pushing wages down. Even the manufacturers who have to pay those wages think that a 3.5 percent growth rate could be achieved without inflation.

Our societies tolerate high unemployment since only a minority suffer from that unemployment. Most of the movers and shakers in society know that they will not be affected. Politically, high inflation is much more worrying to those in or seeking office, since it seems to reduce everyone's income. Economists can point out that every price increase has to raise someone's income and that the balance between gains and losses seems to indicate that very few are real-income losers as long as inflation is less than 10 percent per year, but all of that analysis is irrelevant. To the voter it does not seem to be true. They merit wage increases but are cheated by price increases.

The high unemployment necessary to fight inflation is one of the factors leading to falling real wages for a large majority of Americans, but this reality is too clouded by other factors and too indirect to be seen as the cause. Political power lies on the side of those who declare a holy war against inflation. Yet those who do so are indirectly advocating lower real wages for most Americans.

The inflationary volcano of the 1970s and 1980s is extinct, but the mind-set produced by its eruptions lives on. As a result, business firms in their planning have to simultaneously plan for a world where there is no inflation, but there will be periodic deliberate recessions designed to fight imaginary inflations.

Labor will continue to live in a world where governments talk about the need to restore real-wage growth but deliberately create labor surpluses to push wages down. As a result, no one should pay attention when they talk about restoring a high-wage economy with growing real incomes. Wages go up when there are labor shortages, not when there are labor surpluses.

Officially, central banks always hold out the prospect that if they just hold down inflation long enough, they will gain anti-inflation ''credibility'' with the financial markets and rapid noninflationary growth will resume. but it doesn't work. If the German Bundesbank does not by now have ''credibility'' as an inflation fighter no central bank will ever get this mythical status. Despite its anti-inflation credibility West Germany has had a very slow growth rate—2.3 percent per year from 1981 to 1994. Rapid growth never resumes.

Mr. HARKIN. So, yes, there is a lot of complicated economic terms, statistics, and charts that we can put up here. Let us not get lost in these complexities. We are talking about simple fundamental things—real people, families trying to make a payment on their house, trying to buy a new car, trying to work with their bank to get the funds to put in next year's crops for our farmers, or to operate a small business. We are talking about creating more and better jobs in America, about growing our economy faster, about raising wages.

That is what this debate is about. After all, Mr. President, raising the living standards and real wages of ordinary Americans should be our No. 1 economic challenge, but time and again the policy of the Federal Reserve under Mr. Greenspan has stood in the way. That should not be.

Under current law, the Federal Reserve is obligated to conduct a balanced monetary policy to reconcile reasonable price stability with full employment and strong economic growth and production. But under the Greenspan Fed that balance has been lost.

In 1978, we passed the Humphrey-Hawkins bill which mandated that the Federal Reserve take into account employment, full employment, and production along with inflation in setting its policies. I see my friend from Florida is in the Chamber. He has introduced a bill on the Senate side, the Mack bill, that would remove that consideration from the Federal Reserve, to consider full employment and production and leave the Fed only to consider inflation. I respect his opinions on that, his judgment. We happen to disagree on that. I think the Fed ought to have in its considerations a balanced approach—inflation, yes, but also full employment and production. I would point out that Mr. Greenspan has come out in favor of the Mack bill, to take away from the Federal Reserve requirements in law that we say they must take into account, full employment and production, in their setting of monetary policy. I think that is wrong. And for Mr. Greenspan to support that policy indicates that he again has his eye only on inflation, the ''ghost of inflation,'' as Mr. Thurow says, and not on a balanced policy.

So what has happened? Middle-class Americans have paid the price. We have seen what has happened with interest rates. And we have higher interest rates. Let me just say this very clearly, Mr. President. What we have operating now in America on middle-class families is what I call the Greenspan tax—yes, the Greenspan tax on American families. Higher interest rates are nothing more than a tax on hard-working middle-class families, farmers, and main street businesses.

One of my colleagues was in the Chamber last week and referred to high inflation as an unfair tax on working families. That is true. But high interest rates are also an unfair tax. We do not have any inflation out there, there is none of it on the horizon, and yet we have inordinately high interest rates. The real threat and the real tax today on our middle class, our farmers, and our small businesses is unnecessarily high interest rates. So we need a Fed Chairman who looks at growth and jobs and wages and says we can do better, not saying, oh, 2.2 percent is fine. We can grow much faster than that. And we do it without the threat of inflation. We live in a global economy, a time of unprecedented competition, rapid technological change. All of this means we can have fuller employment, higher productivity without inflation.

We seem to be living in a world that if we begin to do better and our economy begins to grow, that is bad for America, the Fed slams on the brakes, and we cannot grow any faster than that. It is seen as a bad thing. But faster growth and higher wages and more jobs and lower interest rates should not be seen as obstacles. They should be sought out as our goals.

In short, we need a balanced policy based on raising economic growth, increasing jobs, the long-cited continued vigilance against inflation. I do not believe we have gotten that under Mr. Greenspan, and we have seen that common thread throughout his entire record, that all through his entire time Mr. Greenspan has focused on inflation.

Start with 1974. Mr. Greenspan was Chair of President Ford's Council of Economic Advisers. As I discussed in depth last week, in his zeal to fight inflation to cure the recession of 1974, Mr. Greenspan prescribed the wrong medicine. Unemployment skyrocketed, and the recession got even worse.

This is how Jerry Terhorst, President Ford's press secretary, recounted it:

To be blunt about it, the President has lost confidence in the ability of his economic advisers to predict the economic future. This fall, when he fashioned the anti-inflationary package he presented Congress following the series of economic summit meetings, Ford relied heavily on the forecasts of his consultants, including Economic Council Chairman Alan Greenspan. They assured him that rising prices and production costs were the prime enemy of a healthy America. He was advised that while a recession lurked distantly on the horizon, it was not an imminent prospect that would confront him immediately.

Well, what happened? The recession got worse, unemployment skyrocketed. In two months, the unemployment rate increased by 1.2 percent.

The PRESIDING OFFICER. The Senator's 15 minutes have expired.

Mr. HARKIN. How much time do I have remaining?

The PRESIDING OFFICER. Nine minutes.

Mr. HARKIN. I yield myself 4 additional minutes.

Greenspan's prognosis of the Nation's economic ills in the 1970's did not comport with what happened, the same way in the 1980's. And I submit for the RECORD an article that appeared in Investors Business Daily called ''Greenspan's Rotten Record.''

Let us take a look again at what happened to growth during the period of time of former Chairman Volcker. We see growth of 6, 3.3, 4.4. coming out of the recession in the early 1980's. Now, Mr. Volcker had a 2.5 percent growth rate average, but he had a 13 percent inflation rate facing him when he came in. He brought inflation down in half and yet he had still had a 2.5 percent growth during his term even while he brought inflation down in half.

Mr. Greenspan comes in. The real growth during his period of time has been 2.2 percent. Inflation was only 4.1 percent when he came in. It has come down to 3.2 percent—a very small decrease in inflation and yet very low growth. That is what we are talking about, the low growth rate. And again, it has to do with Mr. Greenspan's rationale, what his mindset is.

Last year, I believe it came out, perhaps in an unguarded moment. I do not know. I will read from the hearing record so the record is straight. I have told people before that Mr. Greenspan was in favor of going back on the gold standard and people tell me that is not right. Well, I do not know if it is right or not. I can only take Mr. Greenspan at his own words.

Last year, 1 year ago, not 20 years ago, last year, Senator SARBANES says:

All right. Now, my next question is, is it your intention that the report of this hearing should be that Greenspan recommends a return to the gold standard?

Mr. GREENSPAN. I've been recommending that for years. There's nothing new about that.

Senator SARBANES. Okay. So, you'd like that. You want to reaffirm that position.

Mr. GREENSPAN. I have always held that system of price stability, which would come from any form of credible type of non-inflationary environment, would be very beneficial to financial system.

Senator SARBANES. And you think we should go on to the gold standard.

Mr. GREENSPAN. I, personally, would prefer it. That would probably mean that there is one vote in FOMC for that, but it is mine.

Again, Mr. Greenspan would like to go back on the gold standard. I would like to see how many people would stand here on the Senate floor and defend this and say we ought to go back to the gold standard. Maybe a few. But that is where Mr. Greenspan is coming from.

Last, Mr. President, it is not just me and a few others on our side. I ask unanimous consent a series of quotes from business leaders on Fed policy be printed at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

QUOTES FROM BUSINESS LEADERS ON THE FED POLICIES

"We don't see a connection between the numbers out there and what we feel in our business. There is absolutely no inflation. There's no pricing power at all."—John Welch, Jr., chairman, General Electric.

"There's no sign of pricing pressure anywhere . . . This economy can grow more than 2 or 2½%, and we ought to let it do it."—John Welch, Jr., chairman, General Electric.

"This fixation of the Fed on 2.5% gross-domestic-product growth doesn't reflect the enormous productivity gains of the past five years and the fact that with the information age, you can do things faster, better, and smarter. I don't know if the rate of growth we could sustain without inflation is 3%, 3.5% or 4%, but I think we need to see if we can grow the economy at a reasonable fashion."—Tracy O'Rourke (male), CEO of Varian Associates.

"This is the most disappointing recovery we have ever seen . . . Each time we try to do a little better than 2.5% growth, we get slapped down by tight monetary policy. The recovery is lackluster and it shouldn't be."—Kent "Oz" Nelson, CEO of United Parcel Service (UPS).

"I believe very strongly that the Fed should be leaning more toward growth, and not be so concerned with the threat of inflation. . ."—Dana Mead, CEO, Tenneco Inc.

"I would rather err on the side of stimulating the economy and growth rather than dragging it."—Dana Mead, CEO, Tenneco Inc.

"There was a time when 2.8% would have been considered a modest rate of growth; today it is considered dangerously robust. Most corporate leaders don't agree with this notion of dragging the anchor just as soon as the economy has wind behind it. They understand how we can sustain high growth based on muscular productivity improvements they are generating in their own businesses."—Felix Rohatyn.

"Inflation is not a threat in the United States. Nor is it for the foreseeable future. It has been remarkably flat and will remain so unless the Fed or the markets begin spurring inflation with high interest rates. The old domestic indicators, while perhaps important in gauging certain narrow trends, no longer determine the broader inflation outlook."—James Robinson, former CEO of American Express.

"Inflation has begun to recede, despite the unemployment rate remaining below earlier estimates of the NAIRU. The Fed misinterprets the low unemployment rate as an indication that the economy is operating at full potential and grudgingly lowers its implicit assumption of the natural rate; in contrast, I believe the low unemployment rate has occurred as business investment and productivity gains have raised potential output and capacity, while restrictive monetary policy has constrained demand. That suggests inflation will decline further." Mickey Levy, Chief Economist, NationsBank Capital Markets, Inc.

"Monetary policy in this country is controlled by bond traders who live in highrises and are completely out of touch with reality." Jerry Jasinowski, president, Nat'l Association of Manufacturers

"Growth in the 2 percent range is unacceptably low, because the economy can sustain higher levels of growth without inflation. The long-run growth rate consistent with stable inflation is as high as 2.8 percent, using the new chain-weighted GDP measure." Jerry Jasinowski, President, Nat'l Association of Manufacturers

"Economists are fighting a nuclear war with conventional weapons. My concern is that we are using data and statistics and rules of thumb that come from a different business environment than now exists." Robert Cizik, chairman and chief executive, Cooper Industries

"At the Fed, the attitude is to avoid inflation at all costs. But out in the real economy, our people are concerned about the cost—the lost jobs, the lost profits and so on, which over time can be considerable." Martin Regalia, chief economist, Chamber of Commerce

" . . . the No. 1 objective should be growth, not [containing] inflation." Bernard Schwartz, chairman and CEO of Loral Corporation

"The economy clearly has the brakes on now and shouldn't."—Joseph Schell, senior managing director of Montgomery Securities.

Mr. HARKIN. Some have been stated before by Senator DORGAN and Senator CONRAD:

"We don't see a connection between the numbers out there and what we feel in our business. There is absolutely no inflation. There's no pricing power at all."—John Welch, Jr., chairman, General Electric.

"There's no sign of pricing pressure anywhere . . . This economy can grow more than 2 or 2½%, and we ought to let it do it."—John Welch, Jr., chairman, General Electric.

"This is the most disappointing recovery we have ever seen . . . Each time we try to do a little better than 2.5% growth, we get slapped down by tight monetary policy. The recovery is lackluster and it shouldn't be."—Kent "Oz" Nelson, CEO of United Parcel Service (UPS).

"Inflation is not a threat in the United States. Nor is it for the foreseeable future. It has been remarkably flat and will remain so unless the Fed or the markets begin spurring inflation with high interest rates. The old domestic indicators, while perhaps important in gauging certain narrow trends, no longer determine the broader inflation outlook."—James Robinson, former CEO of American Express.

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". . . the No. 1 objective should be growth, not [containing] inflation."—Bernard Schwartz, chairman and CEO of Loral Corporation.

"The economy clearly has the brakes on now and shouldn't."—Joseph Schell, senior managing director of Montgomery Securities.

Mr. HEFLIN. Mr. President, I rise today to support confirmation of Alan Greenspan's nomination to serve another term as Chairman of the Federal Reserve Board of Governors. Although I have not always been completely agreeable with his policies, I think that, generally, he has struck the proper balance in monetary policy in order to stabilize prices and encourage growth short-term growth. In fact, combined with the President's deficit reduction program, Chairman Greenspan's policies helped the Nation out of its last recession.

When we consider this nomination, we must realize that the most relevant indicator of Chairman Greenspan's accomplishment is the success of the economy. Because of the number of factors and variables involved in economic theory, we can stand and debate individual arguments almost endlessly. However, we cannot ignore the fact that the economy has exploded, while inflation has stabilized at its lowest rate in more than a decade. In fact, the combined unemployment and inflation rate is lower than it has been since 1968. This did not occur without leadership, and Chairman Greenspan and President Clinton deserve our applause.

One of the reasons for economic improvement is the recent deficit reduction package. The deficit is an issue I have taken very seriously over the years. When I came to the U.S. Senate, the first bill I introduced was a constitutional balanced budget amendment, and I have supported it ever since. Indeed, I believe that addressing the deficit, and other fiscal problems, is the only way to cure the Nation's economy in the long term.

Although I had reservations, and frankly I believe we can and should do more in the area of deficit reduction, I supported the President's 1993 budget package. This measure is among the most important fiscal steps the Congress has taken in the past decade. In fact, to use Chairman Greenspan's words, this reduction was: "An unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."

This improvement resulted in the creation of 9.7 million new jobs, the vast majority of which are in the private sector. The last few years have seen more construction job growth than any period since the early fifties, and more auto job growth than any period since the early sixties. Further, the unemployment rate has dropped to 5.6 percent—far less than the rate during the early eighties. It is a testament to the importance of a declining annual deficit and movement toward a balanced budget.

However, due to the complexity of our economy, I do not believe that the President's deficit reduction alone caused all of these improvements. According to prevailing economic theory, monetary policy is a more potent factor in the short-term growth of employment and gross domestic product than fiscal policy. Therefore Alan Greenspan does deserve a certain amount of recognition for his recession policies. Maybe it is a credit to Chairman Greenspan, however, that he has shown restraint; he has not failed to appreciate the consequences of easing his monetary policy.

When the Federal Reserve Board decides to embrace an expansive policy, the economy will grow for a while. However, a greater supply of money leads to a lesser demand, or inflation. In the long term, improvements are countered by higher costs and prices, and the economy will again equalize at a reduced level, with higher inflation. In this way, the end result is a negation of the apparent gain. Therefore,

monetary policy must strike the proper balance between expansion and tightening. I think Alan Greenspan has always appreciated the importance of this fundamental concept, and he has acted cautiously to enact such a balance.

When the country fell into a recession in 1990, Chairman Greenspan engineered a response to the crisis by initiating a series of interest rate cuts from late 1990 to late 1991, keeping rates low through 1993. Under his direction, the Fed cut the discount rate in half; this was the lowest rate since 1962. In fact, real short-term interest rates were near zero.

Chairman Greenspan said these reductions were necessary to spur economic growth, and growth did follow. His judgment has thus far been sound.

However, Mr. Greenspan rightly believes that the Federal Reserve's most important goal is price stability. It is perhaps this fact which has most fueled his critics.

The harshest criticism Chairman Greenspan has endured came in 1994, when he raised interest rates seven times. Politicians and financial markets concerned about continuing growth argued that Greenspan was an alarmist. Critics maintained that the boon had been insufficient to cause any serious inflation.

Even if we disagree, I think we must admit that his precautions have proved reasonable. Although economic growth has slowed, Chairman Greenspan has managed to stabilize inflation at its lowest rate in more than a decade. He has also lowered interest rates again to adjust for this slowed economic growth.

I would like to add that I do understand some of my colleagues reservations about Greenspan's tight monetary policy. High interest rates have been a difficult obstacle to many Americans—individuals and businesses. In fact, they are closely tied to the Nation's housing markets. They therefore affect homeowners, and they can damage financial institutions, particularly savings and loans. They have severely hurt such large businesses as Chrysler and Lockheed, and notably, they can have a terrible effect on small entrepreneurs, especially farmers, for whom I have a particular concern.

However, I think it is always important to keep things in persecutive.

We might understand Mr. Greenspan's record better if we consider his predecessor's efforts to reduce a staggering inflation during the early 1980's. Success came after the imposition of a seriously unpopular, tight monetary policy—a policy which concerned me greatly.

When Paul Volcker took control of the Board in 1979, he convinced the Federal Open Market Committee to emphasize control of the money supply's growth, and to pay less attention to interest rates. Although he was ultimately successful in bringing down inflation, his policy, in part, caused interest rates to pass 20 percent in 1981. That was quite a cost. It hurt homeowners and businesses across the country.

In fact, I became particularly concerned about the effects of these rates of farmers, many of whom were devastated by the overhead of high-interest loans. I fought to reschedule farm loans especially to ameliorate the pains suffered by small, family farmers.

But at the time, I said that the Fed should not be condemned in its policy, it should be assisted by administration and Congress alike in seeking equitable remedies to fighting inflation. Inflationary controls are, after all, the Fed's most important concern. Instead of reactivity, I believed the Congress had to emphasize tax incentives, and most important, work to balance its budget.

This idea has not changed in 15 years, I still believe that we must not be reactive. We must also remember Chairman Greenspan's tenture has been much less intense than Volcker's. Rather than raging total war on inflation, he has only had to act preventatively. The country is doing well, and we should not condemn the Fed—nor the man—now as we should not have condemned them then.

Instead, the Congress must work to resolve its own fiscal dilemmas. As I have always believed, we, and those who follow, must work toward an enactment of sound policies that include, perhaps foremost, spending within our limits.

Further, it absolutely should be considered that, although it is independent of the Congress and the President, Greenspan does not dictate absolutely over the Fed. Instead, he must achieve a consensus at the Federal Open Market Committee votes. In this regard, he has been called a genius; almost every vote during his chairmanship has been unanimous. Apparently Greenspan's colleagues also consider his judgment sound.

Mr. President, I believe that we should recognize Chairman Greenspan's successes and acknowledge that he has done some good things for the American economy. His efforts contributed to an enormous recovery, and he kept inflation down during the rebound, as it his most important goal.

Much to his credit, I think President Clinton recognizes Chairman Greenspan's qualities, and I think he had some good reasons to nominate him to another term. Perhaps the President's wisdom has once again led him to understand that moderation is the route to sound policy. He did not shy away from selecting a man lauded by Presidents Bush and Reagan when he believed it was the right thing to do.

Mr. President, I believe the Senate should concur with President Clinton's finding that Chairman Greenspan has done a good job and confirm his nomination.

The PRESIDING OFFICER. The Senator from Florida.

Mr. MACK. I yield 3 minutes to the Senator from New Jersey, Senator LAUTENBERG.

The PRESIDING OFFICER. The Senator from New Jersey is recognized.

Mr. LAUTENBERG. Mr. President, I want to first say that few here have more of my respect and friendship than the distinguished Senator from Iowa. We rarely disagree. When we do, sometimes it is a fairly forceful disagreement. This is not in any way to challenge some of the observations that the Senator from Iowa has made about growth. I believe that more growth would be advisable, would be very helpful right now. But I support the nomination of Alan Greenspan to be Chairman of the Federal Reserve in his next term because I think what we have is pretty darned good when you look at the results, and we see indications of it every day, about how good this economy is relative to where we might have been in terms of measuring the economic growth and inflation at the same time.

Inflation is under control. It does not take much, in this former businessman's view, to trigger off a round of inflationary growth that we would not like to see in this country of ours.

When I see in today's papers, the Washington Post: Labor shortage may be slowing economy, not enough people applying for jobs, bonuses being offered to get people to apply for jobs. It does not say that we are overburdened by unemployment.

Any unemployment is terrible in a society. But when you compare what is happening in the United States to, now, the European market, we are almost less than half of where they are. And inflation is very carefully controlled.

Look at the response of what I may say are the knowledgeables, the stock markets. The market keeps growing. Investors think there is value there yet to be realized. We have a very comfortable view, in terms of mortgages, in terms of money. If there is a shortage, it is because much of the money supply that is out there is being absorbed by Federal debt, and we are all determined to work to reduce that.

But I know Alan Greenspan on a personal basis, which has little to do, frankly, with whether or not I would recommend him, except to say I know him well. He served on the board of my company, ADP, until he came to his position as Chairman of the Federal Reserve Board. I used to hear Alan Greenspan's opinions about things. We had other very distinguished business people on our board—by the way, Republicans more than Democrats; that is just a coincidence; I wanted it the other way, but it did not work that way—distinguished business people who would listen carefully to Alan Greenspan's views on things, to his analysis.

My ex-company—I hate to say that—my company sold the Greenspan database. We used to deliver it. I was in

the computer business, and we would deliver that database throughout the country. It was such a desirable piece of information that company after company, institution after institution would be there, ready to buy the services.

The fact of the matter is, Alan Greenspan, by all measures on the record, has done a distinguished job as Chairman of the Federal Reserve System. He deserves to be continued.

For these reasons, Mr. President, I support the nomination of Alan Greenspan to serve his third term as Chairman, and of Alice Rivlin to serve her first term as Vice Chairman, of the Federal Reserve Board of Governors.

In fact, it is hard to meet Alan Greenspan without being impressed with him. He is a very serious man who takes his work seriously, and who understands the critical importance of the office he holds.

Alan Greenspan has ably served our country as Chairman of the Fed since 1987. And in that time he has compiled a record that, by recent historical standards, is impressive.

Mr. President, as I said, I have known Alan Greenspan for many years, and have always had a tremendous amount of respect for him. Before I came to the Senate, I ran a data processing company known as ADP. Alan Greenspan was on our board of directors. And it was in that capacity that I came to appreciate his intellect, his extensive knowledge of business and economics, and his integrity. Inflation today is at 2.9 percent. Unemployment is at 5.6 percent. Not long ago, many respected economists would have scoffed at the likelihood that both these figures could be held down to these levels. Many assumed that unemployment and inflation fluctuated in an inverse relationship. Yet that has not been true in recent years, and Alan Greenspan probably deserves some credit for that.

Mr. President, steering monetary policy is an extremely difficult job that involves a delicate balancing of competing economic considerations. I cannot stand here and say that Chairman Greenspan has never made a mistake. And I understand the views of some of my colleagues that the Federal Reserve ought to adopt a looser, more aggressive monetary policy.

But when you compare the economy's performance with the expectations of the pre-Greenspan era, it is hard to argue against Chairman Greenspan's record.

It is also hard to dispute that Chairman Greenspan's work has won him broad respect and support in the financial community.

Mr. President, Alan Greenspan is one of the most thoughtful and deliberate people I have ever met. He does not speak glibly. He knows what he is talking about, and he chooses his words carefully.

This deliberate approach has served him well as Chairman. And it has contributed to a greater sense of stability and predictability in our financial markets.

That predictability is important if our economy is to function effectively.

So I hope my colleagues will support his nomination. And I trust they will, by a very strong margin.

I end up asking unanimous consent that the piece in the Washington Post yesterday, an op-ed piece by Robert Samuelson, and the article related to employment in the Washington Post be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Post, June 19, 1996]

GREENSPAN'S GOOD ECONOMY

(By Robert J. Samuelson)

Probably no government agency has recently performed better than the Federal Reserve. Through short-term interest rates, it influences the economy, and the results seem to speak for themselves. The economy's expansion is now in its sixth year, and since it started, employment has grown by 9 million jobs. Annual inflation remains at about 3 percent, which is where it was in 1991. Alan Greenspan, the Fed's chairman, ought to be basking in acclaim. President Clinton has renominated him to another four-year term. Yet Greenspan still faces a loud chorus of critics.

The complaint is that the Fed is so obsessed with fighting inflation that it has smothered strong economic growth. ''The Fed has pursued policies that have limited . . . growth to levels not much more than 2 percent,'' gripes Sen. Tom Harkin (D-Iowa), who has insisted on a full Senate debate on Greenspan's nomination. Growth could be higher by a percentage point, he says. Some economists and corporate executives agree. In a decade, the extra growth would raise the average American's disposable income another $2,500. What should we make of this?

Not much. It's true that, compared with the past, the economy's growth has slowed. Here are the numbers. Between 1960 and 1973, gross domestic product (the economy's output) increased at an annual rate of 4.2 percent. Since 1973, GDP growth has averaged only 2.5 percent. But it's hard to blame the Federal Reserve, because long-term economic growth stems from two factors—expansion in the work force and improvements in productivity—that the Fed hardly influences. Both have weakened.

Productivity (output per worker hour) grew almost 3 percent a year between 1960 and 1973. Average workers produced that much more—in everything from steel to air travel—each hour than the year before. Since 1973, increases average slightly more than one percent. No one knows what caused the drop. Labor force growth has also slackened because ''baby boom'' workers are no longer surging into jobs. The Fed can't offset these changes. It can't create more workers or order companies to be more efficient. (Indeed, it's possible that statistics miss some productivity gains; if so, economic growth is underestimated.)

Perhaps a simpler tax system, better schools and streamlined regulations would improve growth, but no one knows by how much—and these matters aren't the Fed's responsibility. Harkin and like-minded critics also forget the 1960s and 1970s, when the Fed tried to spur faster economic growth. The result was a disaster: two episodes of double-digit inflation (culminating in 12.3 percent inflation in 1974 and 13.3 percent in 1979); two crushing recessions (those of 1973–75 and 1981–82) to suppress the inflation; and huge increases in interest rates and real estate speculation that fostered the savings and loan crisis.

As a practical matter, the best the Fed can do is to nudge the economy toward its production potential while resisting higher inflation. Its tools for doing this are fairly crude. It can change only one market interest rate—the so-called Federal Funds rate, which is the rate at which banks make overnight loans to each other. All other interest rates (those on mortgages, car loans or corporate bonds) respond only indirectly and imprecisely to Fed policies. Even so, there's not much evidence that excessively high interest rates have hurt economic growth.

The Fed Funds rate is now 5.25 percent. Assuming inflation is 3 percent, the ''real rate'' is about 2.25 percent—a level critics think too high. It isn't, says economist William Dudley of the investment banking firm Goldman Sachs. Since 1980, Dudley finds, the ''real'' Fed Funds rate has averaged 3.3 percent. True, it was lower in the 1970s and, indeed, was often negative (that is, the interest rate was less than inflation). But it was this policy of easy credit that spawned double-digit inflation.

Dudley also points out another flaw in the argument. If interest rates were crushing, then credit-sensitive sectors of the economy—business investment, car sales—would be languishing. Well, they aren't. In 1996, sales of cars and light trucks are running 6 percent ahead of 1995. As for business investment, it has boomed. Between 1991 and 1995, annual spending increased 31 percent. For computers, spending jumped 183 percent; for transportation equipment, it rose 44 percent.

Where Greenspan's Fed has succeeded best is in smoothing economic growth by shifts in the Fed Funds rate. To spur recovery from the 1990–91 recession, the rate was cut, to a low of 3 percent in September 1992 and kept there until early 1994. Then the Fed began raising the rate gradually to prevent a growing economy from worsening wage and price inflation. By early 1995 the Fed Funds rate was up to 6 percent. Since then it's been dropped three times to sustain growth.

Even some occasional Fed critics have been impressed by the success of these maneuvers. ''I think [Greenspan's] done a superb job—better than I expected,'' says economist William Niskanen of the Cato Institute. ''at the end of 1994, I thought he was too tight and that there would be a recession in the fall of 1995.'' There wasn't. Economic growth slowed and then picked up.

Sooner or later, of course, there will be another recession. The Fed isn't all-powerful or all-wise. Long economic expansions generate excesses: overborrowing, overinvesting, speculation, inflation. There are some signs of these now. Stock prices seem to many observers, foolishly high. The American Bankers Association recently reported that credit card delinquencies in early 1996 were at a 15-year peak. It's impossible to keep the economy expanding in a simple, straight line. Still, Greenspan's performance merits another term.

Perhaps the Fed is simply a convenient scapegoat for all manner of economic anxieties. There's nothing wrong with debate if it illuminates important truths. The most important truth here is just the opposite of the critics' complaints. It is that the temptation to spur a little more economic growth at the risk of a little more inflation is self-defeating. it risks higher inflation, higher interest rates and a more unstable economy. The Fed has absorbed this lesson; so should everyone else.

[Washington Post, June 20, 1996]

LABOR SHORTAGES MAY BE SLOWING ECONOMY

(By John M. Berry)

Signing bonuses are nothing new for basketball players and Wall Street traders. But hamburger flippers?

Some fast-food restaurants in St. Louis are now paying as much as $250 in signing bonuses for new hires, according to the latest Federal Reserve survey of regional economic conditions released yesterday.

Companies all over the country are going to extra lengths to attract workers, the Fed reports, in the latest sign that the pool of unemployed workers has shrunk to the point that it is limiting economic growth. Unemployment nationally has hovered around 5.5 percent for the past 18 months and in more than half the states this spring it is below 5 percent.

A Minneapolis company is offering a chance at free vacations in Las Vegas for employees who recruit new hires. Temporary employment agencies in Chicago say more employers are snaring their workers for permanent positions. Banks in Salt Lake City are having a hard time finding tellers.

According to the Minneapolis Federal Reserve Bank, a growing number of firms wanting to hire skilled workers have stopped advertising because they got no responses. ''Perhaps we should call them 'discouraged employers,' '' one Minnesota state official quipped.

In Minnesota, one of 10 states with a jobless rate of 3.9 percent or less, economic development officials say that businesses are looking more at whether people will be available to work at a new plant than at whether the company can get incentives or tax breaks to build there, according to the Minneapolis Fed. ''This parallels the dilemma that eastern South Dakota has faced for some time: It is difficult to attract new industry when labor seems short,'' the report said.

Many Fed officials have expressed surprise that, with the unemployment rate so low, there have not been more problems on the inflation front, with wages rising to attract workers. But the Fed's latest survey turned up only scattered instances in which tight labor markets were causing wages overall to increase rapidly.

Economists and government policymakers aren't exactly sure why labor cost haven't begun to rise more rapidly in response to the nation's low unemployment rate. Some analysts say the best explanation is twofold: Heightened concern among workers about job security in a world of corporate downsizing has made them squeamish about asking for raises. That's coupled with strong resistance by employers to raise overall wages because they know that in a low-inflation economy, it is difficult to raise prices to cover higher costs.

So even though some companies are having to increase their offers of starting wages to get workers, in the aggregate, pay hikes are still modest by historic standards.

And companies aren't going begging for workers everywhere in the country. Indeed, in places such as the District, New York and New Jersey, a southern tier of states stretching from Mississippi west through Texas to New Mexico and most import, California, finding workers isn't as tough as it is elsewhere. Joblessness in California, whose recovery has lagged that of the rest of the nation, is 7.5 percent. Only West Virginia at 7.7 percent and the District at 8.4 percent have higher rates.

To many economists, this is a picture of a nation essentially at full employment. That means that going forward, the economy can grow only as fast as its capacity to produce goods and services grows.

How fast that growth can occur is the subject of much debate these days. Indeed, Sen. Tom Harkin (D-Iowa) delayed the full Senate's vote to confirm Fed Chairman Alan Greenspan to a third term until today so he could hold a public discussion on the subject. Harkin believes the economy could grow much faster if Greenspan would only lower interest and stop worrying so much about inflation. ''A turtle makes progress only when it sticks its neck out, even though that is when it is most vulnerable,'' Harkin said in an interview. He said that the Fed cannot be sure the jobless rate can't be pushed down to 5 percent or 4.5 percent without making inflation worse.

Few people in official Washington agree with Harkin, though. The Clinton administration, the Congressional Budget Office and many private economists all peg the economy's capacity to grow at a little above 2 percent.

According to White House economist Martin Baily, the administration's estimate of 2.3 percent a year ''is based on supply-side factors,'' meaning labor supply and productivity.

If the economy is at full employment, additional labor is largely a matter of how fast the population is growing, including immigrants. When the post-World war II baby boomers were entering the work force in the 1960s and 1970s, labor supply was increasing roughly 2 percent a year.

Now it is increasing only about 1 percent a year. All other things equal, that difference means the economy's capacity to grow is a full percentage point lower than it used to be.

And gains in productivity slowed sharply after 1973 for reasons economists still can't explain fully. But over the past year, output per hour worked at private nonfarm businesses rose 1.3 percent, exactly the pace the administration foresees for coming years.

At a recent conference on economic growth sponsored by the Boston Federal Reserve Bank, Baily said that Fed policy doesn't directly affect either of these determinants of growth. ''I don't think monetary policy in the United States is seen as a significant restraint on economic growth in the next few years,'' Baily told the conference.

Thomas Hoenig, president of the Kansas City Federal Reserve Bank, said in a recent interview that in his district, where the average unemployment rate is not much above 4 percent, business executives aren't complaining about Fed policy.

The complaint Hoenig hears most frequently, he said, is, ''I can't get enough of the type of help I need. I have heard no one say, I could grow faster if you lowered interest rates.''

ALICE M. RIVLIN

Mr. LAUTENBERG. Mr. President, I wish to comment on the nomination of Alice Rivlin, our current Director of the Office of Management and Budget.

Mr. President, Alice Rivlin also has enjoyed a long and distinguished career in public service. She played a major role in building the Congressional Budget Office, and establishing CBO as a highly respected institution in this city.

She has had a distinguished career as an economist and policy analyst. And she has served admirably as Director of the Office of Management and Budget.

Mr. President, few objective observers would question the commitment of Alice Rivlin to fiscal responsibility. Her reputation as an advocate for fiscal integrity has been well established for many years.

She also has a reputation as someone who tells the truth. Alice Rivlin is not afraid to tell truth to power. And she is more than willing to ruffle a few feathers in the process. She has done so in the past. And I'm sure she would continue to do so at the Federal Reserve.

Mr. President, Alice Rivlin is a public servant, not a politician. That's the kind of person I would think all Americans should want at the Federal Reserve.

So, Mr. President, I urge my colleagues to support Alice Rivlin's nomination to the Federal Reserve Board. And I hope she can be confirmed by a strong, bipartisan vote.

Mr. SHELBY. Mr. President, I rise today in full support of the renomination of Alan Greenspan to the Chairmanship of the Federal Reserve Board. First nominated in 1987 by President Ronald Reagan, Chairman Greenspan has reduced the consumer price index from almost 7 percent then to about 2.6 percent now. In fact, inflation was below 3 percent in 1995, for its fifth consecutive year, marking the first sustained period of low inflation since the Kennedy administration.

Alan Greenspan has been renominated for a third term as Chairman of the Federal Reserve because he has earned the respect of his peers with a strong record of low inflation and economic stability. Indeed, Mr. Greenspan is currently leading us through a volatile transition from an overheated economy to one operating near capacity without inflation. To understand the importance of this transition, one must know that such a transition has never been achieved in the postwar period.

It has been said the highest honor a man can receive is recognition among his peers. Chairman Greenspan has received just that:

Thomas Juterbock of Morgan Stanley has said, ''The market sees Greenspan as the last gatekeeper of rational macroeconomic policy that will preclude inflation.''

Allan Meltzer, a professor at Carnegie Mellon University and a well-known Fed watcher, has said, ''He's the best chairman the Fed has ever had.''

Lawrence Lindsey, a current Fed Governor, has stated, ''If the curve you're grading on is 'What's attainable by mortals,' he certainly deserves an A.''

Indeed, former Vice-Chairman of the Fed, Princeton professor, and Clinton nominee, Allan Blinder, recently said of Greenspan's policies, ''This is perhaps the most successful episode of monetary policy in the history of the Fed.'' In fact, Mr. Blinder voted with Chairman Greenspan through a long series of rate increases in 1994.

With such high regards, a sound record, and possibly the strongest and safest banking system in history, I believe the renomination of Alan Greenspan as Chairman of the Federal Reserve is imperative to the continuity of monetary policy and certainty of financial markets.

I continue to believe the best monetary policy a country can have is one that strives for price stability and zero inflation. Inflation is a tax, plain and simple. Americans are taxed too much already and should not have the purchasing power of their $1 stolen from them. Hard-working Americans deserve to bear the fruits of their labor, and a strong, sound independent bank is essential to that goal.

Some claim that the Federal Reserve is not accountable to Congress. Some Members in the Senate have even suggested that we politicize the Federal Reserve Bank. I believe that would be the biggest mistake we could ever make. Congress and the President cannot even agree on a balanced budget deal, much less the rate of growth of monetary aggregates or the correct Federal funds rate. Monetary policy should not be subject to the whims of the political cycle.

Without qualification, the Federal Reserve Bank should maintain its independence.

Mr. Greenspan has always been mindful and considerate of Congress, but he has never let the political process manipulate him or the Federal Reserve. His expertise and strong will are needed at the central bank and we should show our appreciation of his diligent work by reconfirming his nomination to the Chair of the Federal Reserve Board.

I believe, Mr. President, these criticisms of the Federal Reserve are nothing more than an excuse not to adopt sound fiscal policies like a balanced budget and a pure flat tax. These criticisms are not based on an understanding of macroeconomic principles. I have not heard any discussions based on the purchasing-power-parity theory, interest-rate-parity theory, or even the rise in commodity prices. It is clear to me Mr. Greenspan is being made a scapegoat for individuals who will not adopt sound fiscal policies.

Lastly, I want to voice my support for the confirmation of Laurence Meyer as a Federal Reserve Governor. He has a sterling academic record as well as a demonstrated professional record as an economic forecaster and will have a great deal to offer the Board.

Mr. GRASSLEY. Mr. President, last week I said that the reappointment of Alan Greenspan is good news for jobs and the economy. Nothing that I have heard during the intervening time has changed my mind.

If we are truly interested in helping the American economy expand. If we truly intend to lower interest rates, then we must balance the budget. We must remove the Federal Government from the head of the line when it comes to borrowing money. It is that simple.

Being Chairman of the Federal Reserve is not an easy job. But Alan Greenspan has more than measured up to that job. He has been on the front line fighting the results of big Government spending. It is this spending that drives up interest rates. It is this spending that hurts ordinary Americans. It is this spending that is our responsibility to bring under control.

Until it is under control, it is Alan Greenspan's responsibility to try to keep the economy stable. It is his responsibility to bring confidence to the marketplace. It is his responsibility to keep inflation in check. He is doing this job well.

Earlier, I used agriculture as an example of the benefit of a balanced Federal budget. According to studies, if the Federal budget is balanced by 2002, the yearly benefit to agriculture would be $2.3 billion due to interest rate reductions. Additionally, increased agricultural cash flow from increased economic activity would be $300 million yearly. This adds up to an increase of $2.6 billion per year for the farm economy if we balance the budget. These studies are based on Congressional Budget Office estimates that short-term interest rates would decrease 1.1. percent and that long-term interest rates would decline 1.7 percent.

This is real interest rate reduction.

Looking at a balanced budget from another point of view, homeowners with an average 30-year home mortgage of $75,000 would have $37,000 over the life of the loan. This would occur with a balanced budget and subsequent interest rate drop of 2 percent.

Or a family with a 4-year car loan of $15,000 would save $900.

It is clearly better to reduce interest rates through congressional action on a balanced budget than a regulatory action by the Federal Reserve. The benefits will be much longer lasting.

In a recent article in the Institutional Investor, Federal Reserve Governor Janet Yellen, a Clinton administration appointee, asks several questions which go to the heart of what Alan Greenspan's opponents are saying. First she asks, if productivity is really increasing to the degree that growth advocates insist and current monetary policy is too restrictive, why is not unemployment rising?

Second she asks, if unemployment is above its natural rate and the potential growth rate is substantially higher than real growth, why is not inflation falling further? She answers these questions with this statement: ''The fact that inflation has been relatively stable for the past two years suggests an economy operating in the neighborhood of it potential output.''

How well put.

I would also point out that among the Governors of the Federal Reserve who have or are serving with Alan Greenspan there has been no fundamental disagreement about monetary policy. There would be dissention at the Fed if Mr. Greenspan's opponents had any credibility to their arguments at all.

I compliment Chairman Greenspan on his ability, in the light of the fiscally irresponsible Congresses of the past, to give stability to our economy. We have only to look at the record number of new highs that are being achieved by the stock market. This is real economic growth.

As I said last week, if we want to encourage economic growth we have no farther to look than ourselves. Balancing the Federal budget will promote and ensure real economic growth. And balancing the budget is our responsibility, not that of the Federal Reserve. It is time that we accept that responsibility and not try to look for scapegoats.

Let us start by continuing our efforts to bring the budget into balance and by confirming Alan Greenspan as Chairman of the Federal Reserve.

Mr. MACK. Mr. President, this afternoon, the Senate will vote whether or not to confirm Alan Greenspan for a third term as Chairman of the Federal Reserve's Board of Governors. I have listened to the debate about his performance as Chairman, and the claims that his policies have permitted annual economic growth of only 2.5 percent. Chairman Greenspan's critics say that his pursuit of price stability has compromised the growth of the economy, and they're trying to make him the scapegoat for today's slow growth.

My colleagues are right about one thing, slow economic growth hurts all Americans. It leads to stagnating incomes, fewer job opportunities and widespread insecurity about the future. You should hear the complaints I have been hearing from my constituents in Florida. They are frustrated. They do not understand why America—the greatest country in the world—a country with unlimited opportunity—is falling behind. It is frustrating to me, too, because I know we can do better.

But I think some of my colleagues have seriously misdiagnosed the problem. It is vitally important for us to understand why this economy's performance is so lackluster, and what policies can help it reach its full potential. In my estimation, Alan Greenspan is not the problem. Bad economic policies enacted by the Clinton administration and previous Congresses are.

Since 1978, the Humphrey-Hawkins Act has demanded that the Federal Reserve simultaneously promote full employment, maximum production, and price stability. In other words, the Fed is being told to try to finetune the economy. The failures and problems caused by this divided focus have lad many observers to conclude that an important first step on the road to meaningful economic growth is to have the Fed concentrate solely on what it can actually achieve: price stability.

Let me quote former Federal Reserve governor Wayne Angell, who wrote:

> It is completely appropriate to give our government multiple policy goals, including lowering unemployment, promoting economic growth, and maintaining stable prices. All of these goals contribute to the well-being of our people. There is much to lose, however, in charging the Federal Reserve with all these tasks.

The reason why the Fed can not achieve multiple goals is simple: it

only controls one monetary policy tool—the amount of money in the economy. This ability to create money and operate through the monetary base means that the Fed can control inflation. Sure, the Fed can also stimulate economic growth and create demand in the short run by printing additional money, but such growth is not without cost. Because, in the long run, printing excess money always leads to inflation, and thereby diminishes whatever economic gains were realized during the short run.

The Fed can only encourage long-run economic growth if Congress repeals the Humphrey-Hawkins Act. Therefore, I have introduced the Economic Growth and Price Stability Act, to focus the Fed solely on stable prices. This bill would serve to hold down the inflation premium part of interest rates, so that buying a home or a car, or taking out a student loan will be more affordable.

But even if the Fed, and its Chairman, achieve the goal of price stability, that is still no guarantee that Americans will see robust long-term economic growth. Do not get me wrong, price stability is absolutely necessary for growth, but by no means is it sufficient. The presence of harmful fiscal policy can render even the most beneficial monetary policy useless. That is part of the reason American families are feeling such anxiety today: the growth of Government is paralyzing the growth of the economy. In short, the Clinton administration's misguided fiscal policies have put working families in a bind.

Just look at how President Clinton's policies of high taxes and bigger Government have led to this weak economy. Let us compare growth under President Clinton to historical averages, reaching back to the end of World War II. The results are astonishing:

Since Bill Clinton became President, GDP growth has only averaged 2.4 percent at an annual rate. Compare that to the growth rate he inherited: in 1992, the economy grew at a robust 3.7 percent. During the entire decade before President Clinton took office, annual economic growth averaged 3.2 percent. During the last five periods of economic expansion growth averaged 4.4 percent, and economists—believe it or not—call today's economy an expansion. Finally, if you look at economic growth rates all the way back to the end of World War II: growth has averaged 3.3 percent.

President Clinton and his policies have simply failed to measure up. It is what some people call the Clinton growth gap or the Clinton crunch—the difference between the growth America has experienced under the Clinton administration and what we should reasonably have been able to expect, given historical trends. The Clinton growth gap has meant a lower standard of living for every child, every woman, and every man in America. We can do better. We must do better.

We can reverse this trend by balancing the budget, lowering taxes, cutting regulations and generally getting Washington off the backs of the American people. The key to achieving strong economic growth is our remarkable entrepreneurial spirit. The economy can grow faster, but Government needs to step out of the way. Bottom line, it is not the Federal Reserve and Chairman Greenspan who are causing today's economic problems; it is the harmful economic policies of President Clinton, his administration and previous Congresses.

Chairman Greenspan knows what needs to be done. He remains committed to price stability, and agrees that fighting inflation should be the Fed's only focus. But he has been hamstrung by counterproductive fiscal policies and a mandate to make the Federal Reserve all things to all people. He has been asked to do the impossible, and then some people turn around and blame him for the economy's anemic growth rate. That's unfair, and it's simply wrong. President Clinton and his allies here in Congress cannot rationally expect to keep taxing and regulating and spending, while the Fed indulges them by printing more and more money to feed their excess.

Therefore, I wholeheartedly support Alan Greenspan's nomination to a third term as Chairman of the Federal Reserve. I encourage my colleagues to stop looking for a convenient scapegoat for failed economic policies he had nothing to do with. I hope you will join me in voting for his renomination. And we can work together to enact meaningful pro-growth economic policies that will give Americans the kind of robust economic growth they deserve.

I say to my distinguished colleague from Iowa, I had the opportunity last week, as he knows, to listen to his presentation, and I think he is absolutely right in a couple of senses.

The first is that this is a very important debate. Unfortunately, again, you are right in the sense that a lot of this has been discussed on the basis of things really other than the role of the Federal Reserve. There has been a lot of discussion about character and personality. I happen to think a great deal of Chairman Greenspan, but that is not the point. The real issue here is what is the role of monetary policy.

The second point that we agree upon, at least—but it does kind of point out, I think, a difficult position for the administration—is you and I agree completely that it is unacceptable to reach a point in this country that we somehow have to believe that 2.5 percent real growth is something we ought to be proud of. Frankly, we are not going to be able to provide the opportunities to future generations, to our children and our grandchildren if we are going to accept the notion that this country can only grow at 2.5 percent real growth.

What will happen to working families? What will happen to farmers? What will happen to small businesses? What will happen to our families? What will happen to our retirees? I say to my distinguished colleague that I happen to be one of those individuals who, too, was affected by what happened in the 1970's.

I remind him that it was not just the seventies. Economies of all countries have been fighting this battle against inflation ever since there was the invention of money. But I remember those town meetings in the early 1980's when the folks in my part of the State of Florida were telling me of the destruction they experienced of their savings; that they lost, in essence, one-third of everything they had set aside and worked for throughout their entire lives, disappeared in a matter of 3 or 4 years because of inflation being out of control.

So I think it is important, in fact, I believe that the only objective of the Federal Reserve should be to maintain price stability.

I have heard my colleague, Senator HARKIN, say that there ought to be a balanced approach with respect to the Federal Reserve. I am going to give you my interpretation of what that means to have a balanced approach.

There are those who suggest that the Congress and the administration can be engaged in a series of economic policies that ought to be offset or balanced, if you will, by the Federal Reserve—have higher taxes, more Federal spending, more Washington interference in the workplace, in businesses in America. The end result of that is it slows down economic activity, it reduces productivity, and these same businesses are no longer able to produce at the level that they were prior to the intervention of fiscal policy.

So the theory is, let us have a balanced approach, let us see that the Federal Reserve, in essence, offsets bad fiscal policy. What we get is right back to where we were in the late 1970's, which is referred to as "stagflation." Most people would understand it as too many dollars chasing too few goods, and that drives up inflation.

So what I will say to my colleague, this is a very important debate, because we ought to be focusing in on what is the role of the Federal Reserve, and I suggest probably in the months ahead, we will probably be engaged in a debate about the Humphrey-Hawkins Act. I think it is wrong to give the Federal Reserve a series of objectives. It is like having two bosses, if you will, or multiple bosses.

I see that the Chair is about to announce to me that the time has expired. I wonder if I can ask unanimous consent—

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MACK. I ask unanimous consent for 5 additional minutes.

The PRESIDING OFFICER. Is there objection?

Mr. HARKIN. How much time remains on both sides?

The PRESIDING OFFICER. The Senator from Iowa has 3½ minutes.

Mr. MACK. I ask unanimous consent for 3½ minutes.

Mr. HARKIN. Let's do 5 for both.

Mr. MACK. I ask unanimous consent that we both be given 5 minutes, for a total of 5 minutes each.

The PRESIDING OFFICER. There will be 5 minutes for both sides. Without objection, it is so ordered.

Mr. MACK. Mr. President, as I was saying, I think we will get ourselves engaged in a debate at some future time with respect to what is the central role of the Federal Reserve. But as I indicated a moment ago, it is interesting to me to listen to my colleague from Iowa talk about his dissatisfaction, which I happen to share, with the growth in the economy.

I believe that, with the reassessment of the economic growth in the last quarter from 2.8 percent to 2.3 percent, the growth rate during the Clinton years is somewhere around 2.3, 2.4 percent. But what is interesting about the debate is the fact that President Clinton, during his State of the Union Address before a joint session of the Congress, said that this is the strongest economy that we have experienced in three decades.

So, I am not real sure where the President is heading with this. If he is satisfied with 2.5 percent real growth, I find that shocking, and I think that the workers in America, the families of America who are telling me that they are extremely anxious about their future, about whether jobs are going to be available to them, would reject the notion that somehow or another we should be satisfied with 2.3 or 2.4 percent real growth.

Again, I agree with the Senator from Iowa that the whole purpose of economic policy is to increase the growth rate, to provide jobs, provide opportunity and increase the standard of living for all Americans. The question is how do we do it. Where we differ, frankly, is, I believe that raising taxes, adding burdens to American business, increasing their costs, overregulating, Washington interference slows down that economic activity and reduces opportunity. To have passed a series of policies that do those things and then say on top of that we want the Federal Reserve to compensate it is the worst of all worlds. You slow down economic growth, you slow down production, you increase the money supply and you drive inflation. That is, in my opinion, just the wrong approach to take.

Again, I remind my colleagues that in the late 1970's, one-third of everything that someone had worked for through their entire lives—and I am now talking about the retirees in the State of Florida who have talked to me about this issue, who lost one-third of everything they had earned throughout their entire lifetime and, I might add, a number of those being farmers from the Midwest who had spent their entire life toiling in the field, setting aside money for the day when they might retire—and in a 3- or 4-year period, one-third of everything they had saved disappeared.

So I happen to believe that the Federal Reserve is on the right course, the Federal Reserve should maintain its commitment to price stability, because with price stability, you have created an environment, if we put in place the right kind of fiscal policy, where we can get this country moving again. We can do better, and we must do better.

With that, Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. HARKIN. Mr. President, I yield myself the remainder of the time.

I thank my colleague from Florida. He is a good friend of mine. He is someone who has paid a lot of attention to this issue. Quite frankly, I agree with him on this whole issue of growth. I think we ought to have more debates on how we go about it. I think it is a legitimate area of debate for this Senate to engage in. I hope this debate today—in fact, I intend this not to be the end but the beginning of a process of debating this issue further this year and going on into next year, because it is too important an issue to just sort of shove aside how we go about increasing our growth.

The Senator from Florida is absolutely right. I agree with him. To sit back and say 2.5 percent growth is fine, that is condemning future generations of Americans, and our kids, to low growth, to terrible jobs, to not being able to buy their own homes and to having a good quality of life. I think it condemns America to a lower place among the nations.

We do not have to accept that 2.5 percent growth. I agree with the Senator from Florida. It is way too low. And whether it is the President or whether it is the Fed, whether it is the President's Council of Economic Advisers, his inner circle, or whether it is Mr. Greenspan and the people at the Fed saying that, they are both wrong. I think we ought to think about how we can have higher growth. And I believe we can.

Where perhaps my friend from Florida and I begin to diverge is here. My friend from Florida says that perhaps by decreasing interest rates, we will drive up inflation. He refers time and time again to the 1970's. Economist after economist, business leader after business leader will point to the fact that this is not the 1970's. The world has changed dramatically in the last 20 years. We have a world economy like we did not have 20 years ago. We have jobs offshore. We have production offshore. We have mass wholesaling and pricing in this country, that Wal-Mart experience, as I often call it, that we did not have 20 years ago.

So the whole world has changed. The factors that led to the inflation in the 1970's are not there today. The economy's ability to resist inflation is greater. Economists point to that time and time again. Just as I believe we spent untold billions of dollars refighting World War II during the 1950's and 1960's—I will not get into that—which led to some of the mistakes we made in Vietnam when that war was passed, I think we are spending untold billions of dollars now in taxes on the middle class because we are fighting the inflation war of the 1970's. But it is not there. There is no inflation there.

In fact, some economists will say, if you look at the U.S. economic history from World War II to the present, there really has not been much core inflation. What happened in the 1970's was energy shock. That is the largest factor that drove up inflation. Once we got over that we got back on course again.

So those threats are not there now. The threats that are there now is what, again, was in the paper this morning. People talked about the labor shortages, that they are bidding for jobs. Yes, in certain parts of the country, that is true. There was another story by the same writer in the paper this morning about the ''Economy's Growth Gets Right Down to the Bottom Line.'' What did he point out? That more and more of the growth is going to corporate profits, not to wages. What has that led to, in part? This story in the New York Times this morning, ''Income Disparity Between Poorest and Richest Rises.'' That is what it boils down to.

High interest rates are taxes, just as inflation is a hidden tax on those who have saved. High interest rates are hidden taxes on those who are working today. Are our working families trying to buy a car, educate their kids, buy a home? It is a hidden tax on our farmers. It is a hidden tax on our small businesses. That is why I argue for a balanced approach. We need balance between the concern for inflation and the need to maximize both employment and production.

A 1-percent increase in interest rates means the payment on the average home mortgage on a house costing about $115,000 is about an additional $1,000 a year. That is a tax. For the average Iowa farmer, a 1-percent increase in interest rates is an extra $1,500 in interest payments every year. That is a tax. For the average Iowa restaurant, the cost is $1,000 a year for a 1-percent increase in interest rates. That is where we are. It is sucking the lifeblood out of our small businesses, our farmers, our working families.

Let us get back to fundamentals. Who likes high interest rates? Well, if I have the money to loan, I like high interest rates.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. HARKIN. Mr. President, I ask unanimous consent for 2 more minutes per side.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARKIN. But, Mr. President, if you are on the side of working families,

and small businesses that have to borrow money to expand, or on the side of manufacturers that need new plants and equipment, or on the side of farmers who need to borrow money to get ahead and to provide for that growth in our economy, you need lower interest rates than what we have right now.

That really is the fundamental issue we are coming down to. The disparity between the rich and the poor grow. The middle class is paying more and more in interest rates. Check how much debt has gone up in our country. I mean privately held debt. People are paying too much on interest charges. To the extent that the Fed keeps that interest rate high, it is an unfair tax on our people. We cannot have the kind of growth we need with the kind of policies at the Fed.

This debate has been healthy. It has nothing to do with personalities, but it has a lot to do with monetary policy. As I have said before, Mr. President, the Federal Reserve System is not an entity unto itself. It is not a separate branch of Government. It is a creature of Congress. Congress has the right, the duty, and the obligation, I believe, to answer the real needs of our people and to provide for growth in our economy.

If that means we need changes at the Fed, then we ought to make those changes, whether it is an individual who leads it or in the way that it is structured and the way that it runs. We here in Congress ought to be making those changes so it can provide for more real growth in our economy.

I thank the President, and I thank my friend from Florida. It has been a good debate. I look forward to more of these as we go through the remainder of the year.

Mr. MACK addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

Mr. MACK. First, I thank the Senator for his comments. I look forward to the debate as well. I yield 1 minute to Senator BENNETT.

The PRESIDING OFFICER. The Senator from Florida has 1½ minutes left.

Mr. BENNETT. Mr. President, I am interested to find out that Alan Greenspan and the Fed are now responsible for the disparity between the rich and poor, according to this morning's paper.

The fact is, Mr. President, there are fundamental economic laws that have operated in the 1950's, the 1970's, the 1990's, and will operate into the next century. The most fundamental of these is: You cannot repeal the law of supply and demand. Attempts to artificially repeal the law of supply and demand by artificial fiat make us feel good in the short run, but they get us into trouble in the long run. The most significant thing the Fed can do is control the money supply in such a way as to keep prices stable so markets can operate.

When we try to fiddle with markets by Government fiat, we get into all kinds of trouble and end up paying tremendous prices for that later on. I support Chairman Greenspan's nomination, and I support his stewardship at the Fed. I am proud to be a cosponsor with my friend from Florida of the bill to change the Humphrey-Hawkins Act so that the primary focus of the Fed becomes price stability.

Mr. SIMON addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida has 1 minute.

Mr. MACK. Mr. President, I yield that minute to Senator SIMON.

Mr. SIMON. Mr. President, I ask unanimous consent that I may address the Senate for 5 minutes.

The PRESIDING OFFICER. Is there objection?

Mr. HARKIN. I did not hear the Senator.

Mr. SIMON. To address the Senate for 5 minutes.

Mr. HARKIN. Mr. President, I ask unanimous consent that I be given an additional 5 minutes.

Mr. MACK. Reserving the right to object, and it is not my intention to do so, I was going to allow the time to expire really, but I ask unanimous consent just for 2 minutes for myself, and then 5 minutes for Senator SIMON, and 5 minutes for Senator HARKIN.

Mr. BENNETT. Reserving the right to object, Mr. President, I had planned to speak in relation to Alice Rivlin once all the time had expired. If the agreement is going to extend time, then I want to be included. If time is going to be allowed to expire, I will await my time and ask for unanimous consent in the due course of events. I ask the Senator from Florida to decide whether he wants to go for that or let me take my chances.

Mr. MACK. If I could add Senator BENNETT for 5 minutes as well. I ask unanimous consent to do so.

The PRESIDING OFFICER. Is there objection?

Mr. HARKIN. Reserving the right to object, my friend from Utah, this is just to talk about Ms. Rivlin and not the Fed policy? Is the Senator going to talk about Fed policy?

Mr. BENNETT. No. I think we said all we need to say about Fed policy. I do wish to reserve my right at some point to comment about Alice Rivlin.

Mr. HARKIN. What is the unanimous-consent request?

Mr. MACK. The unanimous-consent request is 2 minutes for Senator MACK, 5 minutes for Senator SIMON, 5 minutes for Senator HARKIN, and 5 minutes for Senator BENNETT.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The PRESIDING OFFICER. Who yields time?

Mr. SIMON addressed the Chair.

The PRESIDING OFFICER. The Senator is recognized for 5 minutes.

Mr. SIMON. I do not agree with Alan Greenspan on everything, but I think he has served this Nation well. I think it would be a great mistake to turn down his nomination. Where I differ with him is when we talk about full employment. The Fed tends to believe that, in and of itself, is inflationary. The reality, I think, is if you have people working and being productive, that can be deflationary, rather than inflationary.

But our principal problem—there are really two problems.

The Federal Reserve has nothing to do with either of these problems. Indirectly, in terms of interest, when the interest rates are down, that does help, but the problem is fiscal policy. We get our deficits down and interest rates will come down. The Wharton econometric model says if we balance the budget, we are going to have a 3½ percent lower crime rate in this country. Otto Eckstein's old group, I forget the name, says 2½ percent. Everybody says interest rates will be lower if we get the deficit down.

We have a very practical illustration. Mr. President, 30-year T bonds, January 15, 1993, 7.43 percent, and rumors are starting about a Clinton budget; February 12, after the proposal for reduction of the budget is known, interest rates go down to 7.18 percent; February 17, he announced his plan—something is wrong with the dates I have here; it must be February 7—down to 7.07 percent; July 16, it hit 6.58 percent; August 6, Congress passes the legislation, and interest rates are down to 5.9 percent, a 1½ percent drop because of a change in fiscal policy.

Let me just add, it is debt, not only the Federal Government but corporate debt and individual debt, too. We are just not a saving people. The phrase "no downpayment" is almost uniquely an American phrase that we do not find used in other countries. Corporate debt, our taxes, are structured in such a way that we encourage corporate debt. I have a bill I hope someday will pass that says corporations can deduct 80 percent on interest but 50 percent on dividends, so you encourage equity financing rather than debt financing. It is a wash in terms of the Federal Treasury. There are ways we can reduce the fiscal problems.

The second problem is one I do not hear talked about here, but one that the Federal Reserve has to be keenly aware of. That is, we have indexed a great many things. Indexation is in and of itself inflationary. Most nations have not indexed like we have, Social Security being the prime example. So if you have any kind of inflation, indexation feeds the inflation. When, in fact, we have inflation, we ought to be cutting back on expenditures, we will be making more expenditures. I do not care whether it is Alan Greenspan, Lester Thurow, Alice Rivlin, whoever it is, if we do not deal with indexation and fiscal policy, we are not going to have low interest rates that we ought to have.

Finally, Mr. President, I cannot think of anything that would be more disconcerting to the financial markets and cause interest rates to go up more

than if we were to reject Alan Greenspan. I think it is important that we confirm the President's appointment. I think it is the right appointment. I think Alan Greenspan has served this Nation well. My vote will be a resounding yes to confirm him.

Mr. MACK. Mr. President, I want to say to my colleague from Iowa, again, the fundamental debate does need to take place about monetary and fiscal policy. This is a debate that right now, frankly, is something that really concerns me. It has been something that has concerned me ever since I came to the Congress 14 years ago, that somehow or another the Congress would have more control over the Federal Reserve. My fear is that Congress has made a mess of fiscal policy. If Congress gets more involved in monetary policy, it would be a disaster for the country. So I start with that premise.

Again, I make reference to what Senator SIMON made reference to earlier, that when there was an impression that we were going to get our fiscal house in order, long-term interest rates, in fact, started to come down. It was not until the President vetoed the Balanced Budget Act that we saw long-term interest rates start to go up. There is a major, major role in this with respect to fiscal policy. It seems to me those individuals who have for years supported more Government, higher taxes, more regulation, more Washington interference, are now trying to say that because the economy is growing at 2.3 percent, somehow or another it is the Federal Reserve's fault. I fundamentally disagree with that.

Mr. DORGAN. Will the Senator yield?

Mr. MACK. If the Senator would allow me, we have had limited time.

The fundamental issue underlying this debate is taking responsibility. Again, I think that there are a number of individuals who want to shift the blame to create Alan Greenspan as the scapegoat for this economy. The reality is, the responsibility is with the Congress. It is what the Congress has done over the last number of years—again, increasing taxes, increasing Washington's interference, more regulation—that has slowed the economy down. The worst thing we can do now is to put more money into the system which creates inflation.

I yield the floor.

The PRESIDING OFFICER (Mr. KYL). The Senator from Iowa.

Mr. HARKIN. I understand I have 5 minutes. I will take 30 seconds. I want to respond to my friend from Florida by saying in 1993 the President offered and we passed a deficit reduction package. It went into effect October 1993. We began reducing the deficit, and the deficit has been coming down ever since. The deficit is now 60 percent lower than when President Clinton took office.

What did Alan Greenspan do? He raised interest rates. I thought it was supposed to be axiomatic, as we reduce the deficit, interest rates will come down. They will only come down if you have a Fed chairman that correctly corresponds Fed policy with monetary policy, with the fiscal policy of America. We have been reducing the deficit. Interest rates are going in the opposite direction. Please, somebody explain this anomaly.

Last, I want to say we have 7.5 million unemployed, 1 million not counted, 4 million part-time workers in America. These are people that can enter the work force. We can have labor growth and we can have that kind of growth without increasing inflation.

I yield the balance of my time to the Senator from North Dakota.

Mr. DORGAN. Mr. President, I wish to make a couple of final points. One I wanted to make to the Senator from Florida, he is absolutely correct about what has happened to long-term rates as the market assesses what might or might not happen in fiscal policy. The point I wanted to make, there are a whole lot of folks who are not financing long term—farmers, business people, and others—and borrow from their banks in short- or intermediate-term credit. Every system is charging higher interest rates than they ought to because the Federal funds rate is above where it ought to be, by everyone's expectation, above where it ought to be where it has historically been, above where it ought to be, given the inflation rate. And as a result, every loan for every farmer and consumer bears a higher interest rate, because the Federal Reserve Board, as a matter of deliberate strategy, says, ''We want higher interest rates on these moneys.'' Why? Because their desire is to slow down the American economy.

The place where we would disagree is the Senator from Florida and others say if we would simply have fiscal policy in order, somehow we would have a higher growth rate. There will not be a higher growth rate in this economy under any condition, period, as long as the Federal Reserve Board decides they will limit growth rates to 2.2 or 2.4 percent. If they start getting nervous, and they start wanting to jump out windows because they see 3 percent growth rates, and they say, ''Gee, our economy cannot sustain that robust rate,'' which would not have been considered robust a few years ago; now it is considered a rate that will overheat the economy, then we will not have that rate.

The one thing the Fed is good at is putting the brakes on the economy. The only question I ask as we conclude this debate is why do we have such low expectations of this economy? Why such low expectations? Why should we not expect our economy, as productivity is improving, as the deficit is being reduced, why should we not have an expectation of this economy to be able to grow at a reasonable rate? The answer is we should. Do not sell the capability of this country short. Do not sell the capability of American workers or American businesses short. Let us allow this country to have a reasonable growth rate which can be done without further fueling the fires of inflation.

I say one other thing to my friends who allege this. This is not a case of some people wanting the Congress to run monetary policy. I do not believe Congress ought to make monetary policy. The Federal Reserve Board makes monetary policy. I happen to fundamentally disagree with the kind of policies at this point that they propose and pursue. But I will suggest some changes to the Federal Reserve Board. I think a little disinfectant with some sunlight would be very helpful to the dinosaur that meets mostly in secret, and imposes higher interest rates on every person in America. So I will impose changes, but not those that put Congress in the captain's chair on monetary policy. It is enormously healthy. We have not had a circumstance where we allowed some in the Congress to say we must reconfirm Mr. Greenspan for a second term with no debate by unanimous consent. That is not a healthy thing to do. I have great respect for Mr. Greenspan and have not said an unkind word about him. I fundamentally disagree with his policies. But I admire him as a person. I am not going to vote for him because I have disagreements with the direction of the Federal Reserve Board. But it is very healthy for us to start talking a bit about what kind of monetary policy will give this country the opportunity to be the kind of country it can be in the future with jobs and growth.

You know, there are two areas where there is almost no discussion on the floor of the Senate—trade policy and monetary policy, both of which have a profound impact on the lives of ordinary Americans. Try to talk about any of them and people say, you know, it is not something we want to talk about.

This is a very healthy thing for us to do. Some say, let us get the Government out of all of this. I say that the Government had to bail out—to the tune of a half-trillion dollars—a savings and loan industry, as all of us understand. They got involved in the junk bond fever of the 1980's and developed schemes by which they could park junk bonds at S&L's. Then they became nonperforming, and the American taxpayers paid the costs. And you want to keep Government out of all of this mess? No. It was created by those not looking over the shoulders of those in that industry.

The PRESIDING OFFICER. All time has expired.

Mr. DORGAN. I thank the Senator from Iowa. I will not conclude my thought. I hope we have another debate to talk about the twin goals of this country—stable prices and full employment, and how we can work with the monetary and fiscal policies to achieve those goals.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. BENNETT. Mr. President, I am tempted to go on with this debate, but I think it has probably been exhausted sufficiently on both sides. I will use the time granted to me under the UC agreement to discuss another issue.

NOMINATION OF ALICE RIVLIN

Mr. President, when Alice Rivlin came by my office for a courtesy call prior to her confirmation hearing in the Banking Committee, I told her I would support her confirmation. When she appeared before the Banking Committee, I voted in favor of her confirmation.

I am in the habit of keeping my commitments. It is with great personal sadness, then, that I take the floor to announce that I will, in the coming vote, cast a vote against Alice Rivlin's confirmation. I want to take this time to explain why I have changed positions.

It is, in no way, an attack on Alice Rivlin personally, and, frankly, it is not even an attack on the response that she gave to Senator BOND in his role as subcommittee chairman on the Appropriations Committee. I know he was outraged by the response he received. I have served in the executive branch, and I know that Alice Rivlin was not a free agent in terms of the kind of response she gave. She was under orders from the White House, and she had no choice but to follow those orders or resign. She chose to follow the orders.

She sent a letter that was completely unacceptable to Chairman BOND and, frankly, completely unacceptable to me. I am a member of Senator BOND's subcommittee, and I was there when he asked the questions of the Administrator of the Veterans Administration: ''How are you going to administer your program when, according to the President's budget, in the outyears there is not going to be any money?'' He received the answer: ''I have been assured by the White House that the money will be there, the budget to the contrary notwithstanding.'' Senator BOND repeated the same question to the Administrator of NASA: ''How are you going to manage the program when you get to the outyears and there is not any money?'' He got the same answer: ''I have been assured by the White House that the money will be there.'' Senator BOND asked the question of the Administrator of the EPA: ''How are you going to fund your program when you get to the outyears and there is no money?'' She said: ''I have been assured by the White House that the money will be there.''

It is very clear that this White House is playing the oldest of Washington's shell game, which is to give you a long-term balanced budget statement and load all of the savings in the years that will come to pass after you are safely out of office, with the full knowledge that Congress will never, ever act in the way that you are projecting they will act. But you can get safely reelected and point back and say, ''Congress did not do what we told them.''

But it is even more blatant to put that kind of a budget before the Congress and then, at the same time, explicitly tell the managers of the programs: ''Manage your programs as if those cuts will never happen, because we know they will never happen.''

That is outrageous, Mr. President. It deserves some kind of public protest. It is sufficiently outrageous that I will register that protest in a way I have never registered a protest before. I will publicly break my word, publicly go back on a commitment. I committed to Alice Rivlin that I would vote for her when she called on me. I voted for her within the committee. It pains me deeply to now break that commitment and say that I intend to vote against her, and I will vote against her with the firm understanding that this has little to do with Alice Rivlin and a great deal to do with the Clinton White House. It has little to do with what she did when she was following orders to extend that kind of a response to Chairman BOND, and it has everything to do with the administration that gave her those orders and said: Pretend, dissemble, camouflage, confuse, but do not tell the Congress that which is blatantly obvious to everybody else, which is that this administration does not intend to keep its word on the President's budget.

So, Mr. President, perhaps it is a bit of rationalization on my part, but if the President will not keep his word on his budget and has sent the word directly to his administrators that they shall not keep their word, I think I am justified in breaking my word to Mrs. Rivlin and casting this protest vote, which I will do this afternoon.

I yield the remainder of my time.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will now return to legislative session.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, it is my understanding that we will be going back to the Defense authorization bill.

The PRESIDING OFFICER. The Senator is correct.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1997

The PRESIDING OFFICER. Under the previous order, the Senate will resume consideration of the Defense authorization bill. The clerk will report S. 1745.

The bill clerk read as follows:

A bill (S. 1745) to authorize appropriations for fiscal year 1997 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Services, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

Kyl-Reid amendment No. 4049, to authorize underground nuclear testing under limited conditions.

The PRESIDING OFFICER. The pending amendment is the Kyl amendment.

Mr. GRAMM. Mr. President, I ask unanimous consent to temporarily set aside the Kyl amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 4083

(Purpose: To require plans for demonstration programs to determine the advisability of permitting medicare-eligible military retirees to enroll in the Tricare program and the Department of Defense to be reimbursed from the medicare program for the costs of care provided to retirees who enroll)

Mr. GRAMM. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Texas [Mr. GRAMM], for himself, Mr. ROTH, Mr. INOUYE, Mr. LOTT, Mr. CRAIG, Mrs. HUTCHISON, Mr. THURMOND, Mr. REID, Mr. INHOFE, Mr. ROBB, Mr. MCCONNELL, and Mr. WARNER, proposes an amendment numbered 4083.

Mr. GRAMM. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title VII, add the following:

SEC. 708. PLANS FOR MEDICARE SUBVENTION DEMONSTRATION PROGRAMS.

(a) PROGRAM FOR ENROLLMENT IN TRICARE MANAGED CARE OPTION.—(1) Not later than September 6, 1996, the Secretary of Defense and the Secretary of Health and Human Services shall jointly submit to Congress and the President a report that sets forth a specific plan and the Secretaries' recommendations regarding the establishment of a demonstration program under which—

(A) military retirees who are eligible for medicare are permitted to enroll in the managed care option of the Tricare program; and

(B) the Secretary of Health and Human Services reimburses the Secretary of Defense from the medicare program on a capitated basis for the costs of providing health care services to military retirees who enroll.

(2) The report shall include the following:

(A) The number of military retirees projected to participate in the demonstration program and the minimum number of such participants necessary to conduct the demonstration program effectively.

(B) A plan for notifying military retirees of their eligibility for enrollment in the demonstration program and for any other matters connected with enrollment.

(C) A recommendation for the duration of the demonstration program.

(D) A recommendation for the geographic regions in which the demonstration program should be conducted.

(E) The appropriate level of capitated reimbursement, and a schedule for such reimbursement, from the medicare program to the Department of Defense for health care services provided enrollees in the demonstration program.

(F) An estimate of the amounts to be allocated by the Department for the provision of