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## Senate

(Legislative day of Monday, January 30, 1995)

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

### PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:

*If my people, which are called by my name, shall humble themselves, and pray, and seek my face, and turn from their wicked ways; then will I hear from heaven, and will forgive their sin, and will heal their land.—II Chronicles 7:14.*

God of Abraham, Isaac, and Israel, God of our fathers, we are grateful for this Old Testament promise giving us the formula for the healing of a nation. In the light of this promise, thank Thee for the National Prayer Breakfast this morning which brought together leadership from every State and more than 150 nations in recognition of the indispensability of prayer.

Grant us to see, O God, that the way to national health—socially, culturally, and economically—is the way of prayer. Give us, who profess to be Your people, the grace to humble ourselves, to pray, to seek Your face, and to turn from the secularism which obliterates all sense of God and faith and spiritual reality.

Governor of the nations, lead us in the way that will bring healing to our land.

We pray in the name of the Lord of History. Amen.

### RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The acting majority leader is recognized.

### RESERVATION OF LEADER TIME

Mr. LOTT. Mr. President, this morning the time for the two leaders has been reserved.

### SCHEDULE

Mr. LOTT. There will now be a period for the transaction of routine morning business until the hour of 10:30 a.m., with Senators permitted to speak for up to 5 minutes each with the following Senators permitted to speak for the designated times: Senator MURKOWSKI for 20 minutes, Senator CONRAD for 15 minutes, Senator DORGAN for 10 minutes, and Senator CAMPBELL for 10 minutes.

At 10:30 a.m. the Senate will resume consideration of House Joint Resolution 1, the constitutional balanced budget amendment.

Mr. President, I seek recognition at this time in my own right, and I ask unanimous consent that my remarks be printed in the RECORD after those of Senator MURKOWSKI and Senator JOHNSTON, with regard to the Department of Energy Risk Management Act of 1995.

The PRESIDING OFFICER (Mr. FAIRCLOTH). Without objection, it is so ordered.

The Senator from Mississippi is recognized.

Mr. LOTT. I thank the Chair.

(The remarks of Mr. LOTT pertaining to the introduction of S. 333 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. MURKOWSKI addressed the Chair.

### MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of morning business for not to extend beyond the

hour of 10:30 a.m. with Senators permitted to speak therein for not to exceed 5 minutes.

Under the previous order, the Senator from Alaska is recognized to speak for up to 20 minutes.

Mr. MURKOWSKI. Mr. President, I wish the Chair a good day.

(The remarks of Mr. MURKOWSKI pertaining to the introduction of S. 333 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. Under the previous order, the Senator from North Dakota [Mr. CONRAD] is recognized for up to 15 minutes.

Mr. CONRAD. I thank the Chair.

(The remarks of Mr. CONRAD pertaining to the introduction of S. 332 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. CONRAD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DORGAN. I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. Under the previous order, the Senator from North Dakota [Mr. DORGAN] is recognized to speak for up to 10 minutes.

### FEDERAL RESERVE BOARD ACTION

Mr. DORGAN. Mr. President, yesterday I came to the floor before the Federal Reserve Board had finalized action, worried about whether they would once again make another very

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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large mistake with respect to increasing interest rates and further injuring the American economy.

Of course, we know from news yesterday that the Fed raised short-term interest rates again. Seven times in a year the Federal Reserve Board has met in secret and then told the American people they have decided that for the country's own good, interest rates must once again go up.

I was looking again at the Constitution, and the Constitution under article I, section 8, says: "The Congress shall have the power to coin money, regulate the value thereof," et cetera, et cetera. The interesting thing about the Federal Reserve Board, it is a creature created by the Congress in the early 1900's with a national promise that this will not become a strong central bank. Of course, it has become a strong central bank, accountable to no one.

I said yesterday that they apparently view themselves as a set of human brake pedals, whose mission in life is to slow down the American economy. Well, unfortunately they will succeed beyond their wildest dreams. I think they risk throwing this economy into another recession.

More importantly, their actions mean that virtually every American will pay more credit card interest; those millions of families out there with adjustable rate mortgages will find that their home payments are going to go up. I had a fellow tell me recently, "I am paying \$115 a month more now than a year ago because my adjustable rate mortgage was adjusted." And I said that resulted not from some democratic action, not some concerted action in Congress where there was a big debate and a discussion about what should be done; that happened because of a group of central bankers. They went into a room, shut the door, and made a decision outside of the view of the public citizens to increase interest rates.

It will impact virtually every American. But more importantly, in my judgment, it risks throwing this country back into a recession.

I just do not understand why the current Federal Reserve Board apparently feels unemployment should never go below 5 percent and economic growth somehow should never be more than 2.5 or 3 percent. Where on Earth did they get these notions? What schools out there could possibly teach this kind of nonsense?

There is not much we can do about what the Fed did yesterday, but shortly I intend to reintroduce the Federal Reserve reform legislation that I have sponsored previously. I would introduce this even if rates were going down, so it is not just that they are going up that causes me to come and describe to my colleagues what I think we should do. But I am very concerned that rates are going up at a time when they should not be going up, when there is no credible evidence of infla-

tion—none. Inflation is down 4 straight years. Last year, 2.7 percent.

Mr. Greenspan, with whom I disagree substantially, says, "We think it overstates inflation by up to 1.5 percent." If that is the case—I do not agree with that. But using his own numbers and his own logic, maybe inflation is only 1.2 percent. If that is really the case, then what on Earth are they doing raising interest rates seven times? How can one conclude that inflation is somehow on the cusp of being out of control if it is 1.2 percent? Again, I do not know just what kind of air they are breathing that can cause this kind of internal chaos and this kind of unusual thinking.

We cannot do much about yesterday, but we sure can do something about tomorrow in terms of how decisions are made about monetary policy. Should decisions be made by a bunch of politicians? No, I do not think so. There are not enough cigars in the world to pass around to give politicians the opportunity to close the door and make their own decisions about money. I do not agree with that. That is not my suggestion. But should monetary policy be conducted outside of the view of the American public in some closed room by a bunch of central bankers who serve their constituency, not ours? The answer is no. It is the wrong thing. We should change it. Congress created the Federal Reserve about 80 years ago. We should change it.

How would we change it? I recognize the minute we talk about changing anything here Wall Street has an apoplectic seizure. But most anything gives Wall Street seizures. Let us talk about what ought to be done and let Wall Street worry about its future.

What ought to be done? Well, first of all, we ought to pass a Federal Reserve reform bill that says the following: Nobody ought to vote on monetary policy in this country in any room, locked or unlocked, unless they are accountable to the American people. And the fact is those who voted in the Open Market Committee on interest rates yesterday and who are the regional Fed bank presidents are neither appointed by the President of the United States, nor are they confirmed by the Congress. They are unaccountable to anyone except their boards of directors, the majority of which are private bankers. None of them should ever cast a vote on the Federal Reserve Board Open Market Committee. No regional Fed bank president ought to have a vote on that committee. That is No. 1.

No. 2, I think there ought to be immediate disclosure. There has been, incidentally, in recent months, immediate disclosure of actions by the Fed. When they take action in secret, it ought to be disclosed immediately. I have read stories about people using voice stress analyzers on speech by the Fed Chairman after a meeting was held and they made a decision in secret but are not set to announce it until later. So somebody is using voice stress ana-

lyzers on the voice of the Chairman to figure out what has happened in the room. That is how bizarre the secrecy at the Fed has become. It has persuaded people to try to penetrate the secrecy.

So, make a decision and announce it immediately. Let the small investor know as much as the big investors think they know.

Third, I think that the Federal Reserve Board budget ought to be published in regular order and in regular form in the budget of the United States, and I think it ought to be subject to performance audits. The Federal Reserve Board ought to be like other Federal agencies and accountable.

Fourth, I believe the Federal Reserve Board ought to meet on a formal basis with the executive branch of Government, especially the Treasury Secretary, who is involved in fiscal policy. If we have monetary policy on the left hand and fiscal policy on the right hand, the two ought to talk a little bit to figure out which direction they are going.

We have had circumstances in the past where they looked like they were riding a bicycle built for two, with fiscal policy on the front end trying to chug uphill and monetary on the back end trying to keep the brakes on. And they get somewhere near the cusp of the hill, and they are talking to each other and one says, "We are exerting a lot of pressure to get away," and the other says, "We are putting the brakes on."

What sense does that make? There ought to be some coordinated policy in this country, or at least some understanding of what one is doing relative to the other.

Those are the things that I think need to be done to make changes in the Federal Reserve Board. Very modest changes. This is not taking the Fed and flipping it upside down and shaking the daylights out of it. It is not doing that. Would I like to do that? Maybe. But am I proposing that? No, I am proposing very modest steps.

Even these steps, interestingly enough, are largely too much for most Members of Congress, because they say, "Oh, Lord we don't want to get involved in that. We don't want to talk about the Fed. It is some mysterious priesthood of action and language down there which we don't understand. Let's not interfere with it. Those who want to talk about this basically want to put politics right in the middle of the Federal Reserve Board System."

Nonsense. Total baloney. We ought to do this. We ought to at least give the American people some notion that monetary policy constructed in this country is of, by and for all the people, not just the constituency of the big money center banks that is represented so well and so consistently by current policies of the Federal Reserve Board.

I hope I do not come to the floor again in the months ahead to be critical of the Federal Reserve Board. My preference would be to praise the Federal Reserve Board for doing the right thing. But they are doing the wrong thing. It is time for us to say when the Federal Reserve Board is on the wrong course doing something that is going to injure this country. When the Fed feels its role is to be a human brake pedal to slow the country down and risk throwing it into a recession, it is time for some of us to stand up and say this makes no sense for our country.

I come from a State that is a heavy user of credit—agriculture. The family farmer plants in the spring and does not get a crop until fall. They need to use credit to tide them over during the year.

Do you know what sort of behavior this does to a family farmer? It is an enormous hit for a family farmer or rancher. This substantially increases their costs. Farmers in North Dakota will pay, on average, thousands of dollars more in interest payment because of the Fed's actions this past year. Did they have any opportunity to participate in these decisions? Any voice at all? No. The interest of the family farmer or rancher out there is subordinated to the interest of the money center banks. I guarantee you, the interest of the money center banks is present, front and center in that room when these decisions are made.

But I also guarantee you that there is not anybody in that room talking about my Uncle Joe, about people who produce things, about the farmers out there who are planting and hoping, about the ranchers who are working in subzero weather trying to make sure their cows are all right and then come to the bank at the end of the year and decide they have substantially increased costs. It has nothing to do with their cows, but it has to do with some folks down there behind a closed door at the Federal Reserve Board.

This ought to change. I would not be here if I thought the Federal Reserve Board was on the right track and doing the right things for our country. I feel so strongly they are not. I think the Fed is moving in a direction counter-productive to this country's interest.

That is what persuades me to talk and to, once again, want to introduce this legislation. Let me in 1 final minute read something from the Washington Post today. After yesterday's action by the Federal Reserve Board, it is not, I suppose, surprising for anyone to see a quote:

Many Wall Street analysts, however, praise the course of Fed policy.

I tell you what, that probably is not very surprising to most Americans. Many Wall Street analysts praise the Fed policy. Of course they praise the Fed policy. Who do you think the Feds are doing this for? It is not Main Street, it is not the family farmer, not the rancher, not the working person out there.

So I guess when previous Fed Reserve folks said to Members of Congress at a hearing, "We are serving our constituency"—that is what they said arrogantly—we know who their constituency is. But it is different than our constituency, and that is the dilemma.

I hope one of these days there is a reconciliation in this country about who monetary policy is created and fashioned for and in whose interest it now serves.

Mr. President, I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

#### THE CLINTON PLAN TO ASSIST MEXICO

Mr. DODD. Mr. President, on Tuesday, January 31, President Clinton announced that he could no longer wait for the Congress to act on the Mexican loan guarantee legislation that he had proposed to assist Mexico with the serious economic crisis it confronts. Instead, he has decided to act now to stem the tide of negative expectations that threatens to overwhelm Mexican exchange and financial markets. Utilizing existing executive authority, the President has indicated that the United States will make available a \$20 billion swap arrangement through the Exchange Stabilization Fund.

The President, to his credit, has also enlisted the substantial involvement of the international community in this latest initiative. The International Monetary Fund will provide an unprecedented level of assistance—\$17.5 billion, and the European Community through the Bank for International Settlements will make \$10 billion available to this effort. Taken together, this package should be more than sufficient to deal with the adverse market psychology that had developed over the inability of Congress to act on the guarantee proposal.

I believe that the President's decision is the right one in light of the potential threat that the current instability poses, not only for Mexico, but for our economy as well. It is important to remember that Mexico has been an important player in the United States economic picture. Mexico has been our third largest trading partner. The United States has represented two-thirds of Mexico's worldwide trading activities. Up until now, Mexico has been an important and growing market for United States exports—we sold nearly \$50 billion of our products there in 1994. Some 770,000 American jobs depend on our trade with Mexico. U.S. investors also have a stake in the current situation. Not just large New York bankers and Wall Street investment brokers—but thousands of other Americans through their involvement in pension and mutual funds.

Even my State of Connecticut, thousands of miles from Mexico's border, stands to reap the benefits of a vibrant Mexican economy, or alternatively suffer the pain of a collapsed one. In 1993 nearly 7,000 Connecticut workers were employed in producing products destined for sale in Mexico at a value of \$365 million. My State is by no means unique on this score. California, Texas, Arizona, New Mexico all have an enormous stake in Mexico's economic health.

That Mexico has a serious problem is not in question. Its financial and currency markets have been in a frenzy over the last several weeks. The peso has lost more than 50 percent in value. Yesterday, the peso reached a historic low at 6.3 pesos to the dollar. The Mexican stock market has been rocked as well. The Zedillo government has been unable to refinance most of its debts coming due thus far this year—obligations that will reach \$80 billion by year's end. Unless this crisis of confidence is reversed and markets stabilized, the Mexican economy will slide into serious recession and its financial system will all but collapse.

Clearly, the Mexican Government must take steps to help itself. And it has done so. On January 3, President Zedillo announced an emergency economic program designed to stabilize the economy—allow the peso to float, reduce Government expenditures, accelerate Mexico's privatization program for state enterprises, conclude a wage-price accord with business and labor in order to contain inflation, and open the Mexican financial sector to foreign investment. Despite these efforts, the crisis of confidence continued.

I for one am firmly convinced that President Clinton has made the right decision in proposing that the United States intervene in order to restore confidence in Mexico's economy. It makes good economic sense. It makes good foreign policy sense. The American people stand everything to gain from a stable and prosperous Mexico. And, much to lose from one that is in disorder and poor.

If we sit back and do nothing, millions of Mexicans will lose their jobs. This will produce social and political tensions. It will also put additional pressure on our borders as Mexicans seek alternative sources of employment in the United States, further heightening tensions over immigration between the United States and Mexico.

To those who point to NAFTA as an explanation for the current economic crisis facing Mexico, I would say that they could not be more wrong. If anything, it is because of NAFTA that there is a clear framework for resolving the current economic problems confronting Mexico. Many Americans currently doing business in Mexico have indicated that they intend to stay the course, to remain engaged, to ride