effort to improve and strengthen United States relations with the nations of the Western Hemisphere, including Latin America, the Caribbean, and Canada. Among his most lasting contributions in this regard was his important legislation to establish the North South Center at the University of Miami in 1990.

Mr. Speaker, Dante Fascell worked tirelessly to promote democracy and foster an open dialogue among the nations of this hemisphere. His efforts in this regard were important in advancing our nation's security, competitiveness and economic viability. The East West Center has played a vital role in the national debate on the role of the United States in the Western Hemisphere. The Center has done important work in focusing on regional topics of great importance to our nation—trade, economic growth, immigration, drug policy and drug control, and the spread of democracy and market economics.

In light of Dante's distinguished record of service in this body and the critical contributions which he and the North South Center have made in our nation's foreign policy in this hemisphere, Mr. Speaker, it is entirely appropriate and fitting that we rename the North South Center in his honor. I strongly support this legislation, and I urge my colleagues to support it as well.

FREE MARKETS, NOT THE IMF, IS THE ANSWER TO GLOBAL ECONOMIC CRISIS

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 13, 1998

Mr. CRANE. Mr. Speaker, one of the biggest issues being negotiated between our Congressional Leadership and the White House is funding for the International Monetary Fund, the IMF. Indeed, debate over how best to address the various international financial crisis de jour is taking place all over the world.

I urge the Leadership to consider the thoughts of monetary policy experts like the Nobel Prize winning economist Milton Friedman. Specifically, I commend to my colleagues' attention an article from the Tuesday, October 13, 1998 edition of the Wall Street Journal by Mr. Friedman entitled: "Markets to the Rescue".

Among other ideas, Mr. Friedman suggests that the IMF's interventions in markets around the world has caused or exacerbated the various economic crises which, in turn, are having a significant impact on the otherwise healthy U.S. economy.

I urge my colleagues to consider what Mr. Friedman has to say about the IMF before we give one more dime of our taxpayers' money to that international agency.

[From the Wall Street Journal, Oct. 13, 1988]

MARKETS TO THE RESCUE

(By Milton Friedman)

The air is rife with proposals to reform the International Monetary Fund, increase its funds and create new international agencies to help guide global financial markets. Indeed, Congress and the Clinton administration spent much of the last week's budget negotiations find-tuning the details of the U.S.'s latest $18 billion IMF subvention package. Such talk is on a par with the advice to the inebriate that the cure for a hangover is the hair of the dog that bit him. As George Shultz, William Simon and Walter Wriston wrote on this page in February: "The IMF is ineffective, unnecessary, and obsolete. We do not need another IMF. . . . Once the Asian crisis is over, we should abolish the one we have." Centralized planning works no better on the global than on the national level.

The IMF was established at Bretton Woods in 1944 to serve one purpose and one purpose only: to supervise the operation of the system of fixed exchange rates also established at Bretton Woods. That system collapsed on Aug. 15, 1971, when President Nixon, as part of a package of economic changes including wage and price ceilings, "closed the gold window"—that is, refused to continue the commitment the U.S. had undertaken at Bretton Woods to buy and sell gold at $35 an ounce. The IMF lost its only function and should have closed shop.

INTERNATIONAL AGENCIES

But few things are so permanent as government agencies, including international agencies. The IMF, sitting on a pile of funds, sought and found a new function: serving as an economic consulting agency to countries in trouble—an agency that was unusual in that it offered money instead of charging fees. It found plenty of clients, even though its advice was not always good and, even when good, was not always followed. However, its availability, and the funds it brought, encouraged country after country to continue with unwise and unsustainable policies longer than they otherwise would have or could have. Russia is the latest example. The end result has been more rather than less financial instability.

The Mexican crisis in 1994–95 produced a quantum jump in the scale of the IMF's activity. Mexico, it is said, was "bailed out" by a $50 billion financial aid package from a consortium including the IMF, the U.S., other countries and other international agencies. In reality Mexico was not bailed out. Foreign entities—banks and other financial institutions—that had made dollar loans to Mexico that Mexico could not repay were bailed out. The internal recession that followed the bailout was deep and long; it left the ordinary Mexican citzen facing higher prices for goods and services with a sharply reduce income. That remains true today.

The Mexican bailout helped fuel the East Asian crisis that erupted two years later. It encouraged individuals and financial institutions to lend to and invest in the East Asian countries, drawn by high domestic interest rates and returns on investment, and reassured about currency risk by the belief that the IMF would bail them out if the unexpected happened and the exchange pegs broke. This effect has come to be called "moral hazard," though I regard that as something of a libel. If someone offers you a gift, is it immoral for you to accept it? Similarly, it's hard to blame private lenders of accepting the IMF's implicit offer of insurance against currency risk. However, I do blame the IMF for offering the gift. And I blame the U.S. and other countries that are members of the IMF for allowing taxpayer money to be used to subsidize private banks and other financial institutions.

Seventy-five years ago, John Maynard Keynes pointed out that "if the external price level is unstable, we cannot keep both our own price level and our exchanges stable. And we are compelled to choose." When Keynes wrote, he could take free capital movement for granted. The introduction of exchange controls by Hjalmar Schacht in the 1930's converted Keynes's dilemma into a trilemma. Of the three objectives—free capital movement, a fixed exchange rate, independent domestic monetary—free capital movement, a fixed exchange rate, independent domestic monetary policy—any two, but not all three, are viable. We are compelled to choose.

The attempt by South Korea, Thailand, Malaysia and Indonesia to have all three—with the encouragement of the IMF—has produced the external financial crisis that has pummeled those countries and spread concern around the world, just as similar attempts produced financial crisis in Britian in 1967, in Chile in the early 1980's, in Mexico in 1995 and in many other cases.

Some economists, notably Paul Krugman and Joseph Stiglitz, have suggested resolving the trilemma by abandoning free capital movement, and Malaysia has followed that course. In my view, that is the worst possible choice. Emerging countries need external capital, and particularly the discipline and knowledge that comes with it, to name the best use of their capacities. Moreover, there is a long history demonstrating that exchange controls are porus and that the attempt to enforce them invariably leads to corruption and an extension of government controls, hardly the way to generate healthy growth.

Either of the other alternatives seems to me far superior. One is to fix the exchange rate, by adopting a common or unified currency, as the states of the U.S. and Panama (whose economy is dollarized) have done and as the participants in the Euro propose to do, or by establishing a currency board, as Hong Kong and Argentina have done. The key element of this alternative is that there is only one central bank for the countries using the same currency: the European Central Bank for the Euro countries; the Federal Reserve for the other countries.

Hong Kong and Argentina have retained the option of terminating their currency boards, changing the fixed rate, or introducing central bank features, as the Hong Kong Monetary Authority has done in a limited way. As a result, they are not immune to infection from foreign-exchange crises originating elsewhere. Nonetheless, currency boards have a good record of surviving such crises intact. Those options have not been retained by California or Panama, and will not be retained by the countries that adopt the Euro as their sole currency.

Proponents of fixed exchange rates often fail to recognize that a truly fixed rate is fundamentally different from a pegged one. If Argentina has a balance of payments deficit—if dollar receipts from abroad are less than payments due abroad—the quantity of currency (high-powered or base money) automatically goes down. That brings pressure on the economy to reduce foreign payments and increase foreign receipts. The economy cannot evade the discipline of external transactions; it must adjust. Under the pegged system, by contrast, when Thailand had a balance of payments deficit, the Bank of Thailand did not have to reduce the quantity of high-powered money. It could evade the discipline of external transactions, at least for a time, by drawing on its dollar reserves or borrowing dollars from abroad to finance the deficit.

Such a pegged exchange rate regime is a ticking bomb. It is never easy to know whether a deficit it transitory and will soon be reversed or is a precursor to further deficits. The temptation is always to hope for the best, and avoid any action that would tend to depress the domestic economy. Such a policy can smooth over minor and temporary problems, but it lets minor problems that are not transitory accumulate. When that happens, the minor adjustments in exchange rates that would have cleared up the initial problem will no longer suffice. It now takes a major change. Moreover, at this stage, the direction of any likely change is clear to everyone—in the case of Thailand, a devaluation. A speculator who sold the Thai baht short could at worst lose commissions and interest on his capital since the peg meant that he could cover his short at the same price at which he sold it if the baht was not devalued. On the other hand, a devaluation would bring large profits.

Many of those responsible for the East Asia crisis have been unable to resist the temptation to blame speculators for their problems. In fact, their policies gave speculators a nearly one-way bet, and by taking that bet, the speculators conferred not harm but benefits. Would Thailand have benefited from being able to continue its unsustainable policies longer?

Capital controls and unified currencies are two ways out of the trilemma. The remaining option is to let exchange rates be determined in the market predominantly on the basis of private transactions. In a pure form, clean floating, the central bank does not intervene in the market to affect the exchange rate, though it or the government may engage in exchange transactions in the course of its other activities. In practice, dirty floating is more common: The central bank intervenes from time to time to affect the exchange rate but does not announce in advance any specific value that it will seek to maintain. That is the regime currently followed by the U.S., Britain, Japan and many other countries.

FLOATING RATE

Under a floating rate, there cannot be and never has been a foreign exchange crisis, though there may well be internal crises, as in Japan. The reason is simple: Changes in exchange rates absorb the pressures that would otherwise lead to crises in a regime that tried to peg the exchange rate while maintaining domestic monetary independence. The foreign exchange crisis that affected South Korea, Thailand, Malaysia and Indonesia did not spill over to New Zealand or Australia, because those countries had floating exchange rates.

As between the alternatives of a truly fixed exchange rate and a floating exchange rate, which one is preferable depends on the specific characteristics of the country involved. In particular, much depends on whether a given country has a major trading partner with a good record for stable monetary policy, thus providing a desirable currency with which to be linked. However, so long as a country chooses and adheres to one of the two regimes, it will be spared foreign-exchange crises and there will be no role for an international agency to supplement the market. Perhaps that is the reason why the IMF has implicitly favored pegged exchange rates.

The present crisis is not the result of market failure. Rather, it is the result of governments intervening to or seeking to supersede the market, both internally via loans, subsidies, or taxes and other handicaps, and externally via the IMF, the World Bank and other international agencies. We do not need more powerful government agencies spending still more of the taxpayers' money, with limited of nonexistent accountability. That would simply be throwing good money after bad. We need government, both within the nations and internationally, to get out of the way and let the market work. The more that people spend or lend their own money, and the less they spend or lend taxpayer money, the better.

MENTAL HEALTH CRISIS

HON. MARGE ROUKEMA

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 13, 1998

Mrs. ROUKEMA. Mr. Speaker, I am pleased to take this time (with the gentlelady from Ohio, Ms. KAPTUR) to illuminate what needs to be done to address the silent medical crisis in America of mental illness.

Mental illness is not a character flaw, but a tangible treatable health problem as real as hypertension or heart disease or tuberculosis or the many forms of cancer.

The good news: advances of our medical system have provided scientific breakthroughs that make appropriate mental health care as effective as insulin for a diabetic.

While we do have the ability to treat mental illness, we have a tremendous amount of work to do in the critical area of public understanding of mental illnesses—leading to appropriate treatment.

Unfortunately, America is witnessing more violence every day resulting from untreated mental illness and a failed policy of deinstitutionalization without any proper community follow-up.

All too often we hear of situations where an individual with a mental disorder has not received adequate treatment and has reacted violently and endangered him—or herself or, tragically, taken the life of another. Last year, alone, over 1,000 homicides were directly attributable to improperly treated mental illnesses.

This crisis is not just a crisis for adults. This crisis also affects our children.

The American Academy of Child & Adolescent Psychiatry estimates that 12 million American children have a mental illness at any one time, but fewer than one in five is identified as needing treatment. Early diagnosis, follow-up treatment, and prevention and intervention programs can help children and adolescents at risk for violent incidents.

My colleagues, these are the dimensions of this silent crisis. But we are not powerless. We can do something.

I, along with Representative KAPTUR, have introduced a sense of the House resolution to establish a mental illness working group to probe the gaping holes in the network of services designed to identify, assist, and treat those people with mental illness.

While treatment of the mentally ill is primarily a function of the separate states, there does exist significant sharing of costs and some joint federal/state responsibilities in such areas as reciprocity between states, the relationship of SSI and Medicaid to mental illness and the designation of Institutions of Mental Diseases.

Other key federal components that require oversight and analysis are the effectiveness of mental health block grants and the federal prison costs attributed to mental illness.

Our proposed mental illness working group would be charged with gathering information about the nature of the problem, current state and federal policy gaps as well as reviewing the need for reciprocity and how states and communities failed to provide follow-up treatments to these individuals.

This will involve Members of the various Committees that have jurisdiction over federal issues involving the mentally ill, including Ways and Means, Judiciary, Commerce, Veterans Affairs, Appropriation, Banking and the Education and the Workforce Committee. They are involved in issues ranging from discrimination in health care coverage to public housing.

We must take responsible action and seize this opportunity to ensure that something beneficial results from recent tragedies, such as that which occurred here on Capitol Hill.

I hope you will join us in this effort.

OPPOSING REPUBLICAN LAST MINUTE EFFORTS TO PASS A MODIFIED VERSION OF H.R. 4006, THE LETHAL DRUG ABUSE PREVENTION ACT

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 13, 1998

Mr. STARK. Mr. Speaker, I rise to express my strong opposition to attempts that I understand are currently underway to attach a version of H.R. 4006, The Lethal Drug Abuse Prevention Act of 1998, to the omnibus appropriations bill that will soon be considered by Congress.

H.R. 4006 has been scheduled for floor consideration by the Full House several times this year. Each time ti has been pulled from consideration because of the great concerns expressed by our medical community. The bill purports to simply combat the practice of physician-assisted suicide. Unfortunately, that is not all the bill accomplishes. It also presents real barriers to the appropriate care of terminally ill and dying patients.

It does not appear that the supporters of this legislation intend to affect pallative care for the dying. But, regardless of intent, it is the effect of this bill. The latest version of the bill would have the same result.

If it becomes law, doctors will be deterred from providing appropriate pain management to their terminally ill patients. If you've ever lost a loved one after a long, painful illness, you know the importance of these medications. They are vital to ease the pain of people in their final days of life. It should be up to the patient, the doctor, and the patient's family to develop an appropriate pain management program—without the doctor needing to fear intervention from the federal government.

The tools exist today at the state level through the State medical and pharmacy boards to seek out and discipline doctors and other health care providers that violate the law regarding the dispensing of controlled substances. This legislation is not necessary.

The medical community is opposed to this action and patient advocacy groups are opposed to it as well. In total, more than 55 such organizations have signed up to express their opposition. The Department of Justice, the very agency that would be required to enforce the policy if it were to become law, has also voiced strong opposition to this action. In a letter to Chairman Hyde regarding H.R. 4006, the Departments states: ''Virtually all potent pain medications are controlled substances. Thus, physicians who dispense these medications to ease the pain of terminally ill patients could well fear that they could be the subject