

IN HONOR OF PAUL O'DWYER

HON. CAROLYN McCARTHY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mrs. McCARTHY of New York. Mr. Speaker, I rise to express my great sorrow at the passing of a wonderful man, Mr. Paul O'Dwyer who died last night at his home in Goshen, New York. Born in the tiny village of Bohola, County Mayo, Ireland, Paul was one of eleven children—the youngest son of two school teachers. As a young man, Paul left his native home and like millions of his fellow countrymen before him, set sail for America seeking a better life. He arrived in New York in 1926, and found work as a laborer on the shipping docks in lower Manhattan. While working long hours by day as a laborer, Paul managed to earn his law degree at night from St. John's University Law school.

As a young attorney in New York, Paul became the driving political force among the Irish of New York. He was a man of tremendous energy, and more importantly, tremendous conviction. His office was open to all who needed help and he was always ready to champion a good cause. Whether it was signing up African-American voters in the South when they were being denied the right to vote; organizing efforts to break the British blockade of Israel in 1948; fighting for the rights of labor; or galvanizing the Irish-American movement for justice in Northern Ireland, Paul never saw a wrong he didn't try to right.

I speak for all who of us who knew an loved Paul when I say he will be sorely missed—but his legacy will live on. I would like to extend my deepest sympathy to Paul's wife, Patricia, his sons, Brian, Rory, William, his daughter, Eileen and the rest of his family.

EVERY CURRENCY CRUMBLES

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mr. PAUL. Mr. Speaker, it has recently come to my attention that James Grant has made a public warning regarding monetary crises. In an Op-Ed entitled "Every Currency Crumbles" in The New York Times on Friday, June 19, 1998, he explains that monetary crises are as old as money. Some monetary systems outlive others: the Byzantine empire minted the bezant, the standard gold coin, for 800 years with the same weight and fineness. By contrast, the Japanese yen, he points out, is considered significantly weak at 140 against the U.S. dollar now to warrant intervention in the foreign exchange markets but was 360 as recently as 1971. The fiat U.S. dollar is not immune to the same fate as other paper currencies. As Mr. Grant points out, "The history of currencies is unambiguous. The law is, Ashes to ashes and dust to dust."

Mr. James Grant is the editor of Grant's Interest Rate Observer, a financial publication, and editorial director of Grant's Municipal Bond Observer and Grant's Asia Observer. He has also authored several books including the biographical "Bernard Baruch: Adventures of a Wall Street Legend", the best financial book of

the year according to The Financial Times "Money of the Mind: Borrowing and Lending in America from the Civil War to Michael Milken", "Minding Mr. Market: Ten Years on Wall Street with Grant's Interest Rate Observer" and "The Trouble with Prosperity: The Loss of Fear, the Rise of Speculation, and the Risk to American Savings". He is a frequent guest on news and financial programs, and his articles appear in a variety of publications.

[From the New York Times, June 19, 1998]

EVERY CURRENCY CRUMBLES

(By James Grant)

Currencies, being made of paper, are highly flammable, and governments are forever trying to put out the fires. Thus a half decade before the bonfire of the baht, the rupiah and the yen, there was the conflagration of the markka, the lira and the pound. The dollar, today's global standard of value, was smoldering ominously as recently as 1992.

Monetary crises are almost as old as money. What is different today is the size of these episodes. It isn't every monetary era that features recurrent seismic shifts in the exchange values of so-called major currencies. On Wednesday morning, after co-ordinated American and Japanese intervention, the weakening yen became 5 percent less weak in a matter of hours.

People with even a little bit of money ought to be asking what it's made of. J.S.G. Boggs, an American artist, has made an important contribution to monetary theory with his lifelike paintings of dollar bills. So authentic do these works appear—at least at first glance, before Mr. Boggs' own signature ornamentation becomes apparent—that the Secret Service has investigated him for counterfeiting. "All money is art," Mr. Boggs has responded.

Currency management is a political art. The intrinsic value of a unit of currency is the cost of the paper and printing. The stated value of a unit of currency derives from the confidence of the holder in the promises of the issuing government.

It cannot undergird confidence that the monetary fires are becoming six- and seven-alarms. Writing in 1993 about the crisis of the European Rate Mechanism (in which George Soros bested the Bank of England by correcting anticipating a devaluation of the pound), a central bankers' organization commented: "Despite its geographical confinement to Europe, it is probably no exaggeration to say that the period from late 1991 to early 1993 witnessed the most severe and widespread foreign exchange market crisis since the breakdown of the Bretton Woods System 20 years ago." But the European crisis has been handily eclipsed by the Asian one.

Monetary systems have broken down every generation or so for the past century. The true-blue international gold standard didn't survive World War I. Its successor, a half-strength gold standard, didn't survive the Great Depression. The Bretton Woods regime—in which the dollar was convertible into gold and the other, lesser currencies were convertible into the dollar—didn't survive the inflationary period of the late 1960's and early 1970's.

Today, the unnamed successor to Bretton Woods is showing its years. The present-day system is also dollar-based, but it differs from Bretton Woods in that the dollar is no longer anchored to anything. It is defined as 100 cents and only as 100 cents. Its value is derived not from a specified weight of gold, as it was up until Aug. 15, 1971, but from the confidence of the market.

For the moment, the market is highly confident. So is the world at large. In 1996, the

Federal Reserve Board estimated that some 60 percent of all American currency in existence circulates overseas. The dollar has become the Coca-Cola of monetary brands.

However, as Madison Avenue knows as well as Wall Street, brand loyalties are fickle. In the early 1890's, the United States Treasury was obliged to seek a bailout from the Morgan bank. During the great inflation of the 1970's, Italian hotel clerks, offered payments in dollars, rolled their eyes. The yen, today reckoned dangerously weak at 140 or so to the dollar, was 360 as recently as 1971. The tendency of the purchasing power of every paper currency down through the ages is to regress. Is there any good reason that the dollar, universally esteemed today, should be different?

None. Certainly, the deterioration of the American balance-of-payments position doesn't bode well for the dollar's long-term exchange rate. Consuming more than it produces, the United States must finance the shortfall. And it is privileged to be able to pay its overseas bills with dollars, the currency that it alone can legally produce. Thailand would be a richer country today if the world would accept baht, and nothing but baht, in exchange for goods and services. It won't, of course. America and the dollar are uniquely blessed.

Or were. France and Germany have led the movement to create a pan-European currency, one that would compete with the dollar as both a store of value and a medium of exchange. The euro, as the new monetary brand is called, constitutes the first serious competitive threat to the dollar since the glory days of the pound sterling.

In a world without a fixed standard of value, a currency is strong or weak only in relation to other currencies. The dollar's "strength," therefore, is a mirror image of—for example—the yen's "weakness." It is not necessarily a reflection of the excellence of the American economy.

And no degree of excellence can forestall a new monetary crisis indefinitely. Some monetary systems are better than others, and some last longer than others, but each and every one comes a cropper. The bezant, the standard gold coin of the Byzantine empire, was minted for 800 years at the same weight and fineness. The gold may still be in existence (in fact—no small recommendation for gold bullion—it probably is), but the empire has fallen.

After the 1994 crisis involving the Mexican peso, the world's financial establishment vowed to stave off a recurrence. Even as the experts delivered their speeches, however, Asian banks were overlending and Asian businesses were overborrowing; the credit-cum-currency eruption followed in short order. Naturally, officials and editorialists are now calling for even better fire prevention systems.

But "stability," the goal so sought after, is ever unattainable. The history of currencies is unambiguous. The law is, Ashes to ashes and dust to dust.

CAMPAIGN FINANCE

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mr. HAMILTON. Mr. Speaker, I insert my Washington Report for Wednesday, June 24, 1998 in the CONGRESSIONAL RECORD.

LIMITING CAMPAIGN SPENDING

Hoosiers will sometimes ask me why Congress doesn't simply change the system for