system which we sought to reform, and the reform of which would have changed it substantially to avoid and avert that human tragedy. But when the rescue was on the way, the reform was vetoed by the President of the United States.

The number of individuals receiving AFDC has more than tripled—more than tripled—since 1965. The rescue program designed to assist people and lift them from poverty has mired them deeper and deeper in the mud.

More than 3 million of 5 million welfare recipients will be on the rolls for more than 8 years. The average length of stay is 13 years. Programs designed to lift people and help them up have held them down. The hand up has become a web of dependency. You know, a net can either be used as a safety net or a snaring net. Unfortunately, the welfare system in the United States of America has been a net of snaring rather than a net of safety.

Fifty percent of unwed teenage mothers receive welfare within 1 year of having a child. Children born into welfare families are three times more likely to be on welfare when they reach adulthood.

This tragedy of a welfare system, which is uninterrupted and continues unreformed because the President of the United States has vetoed the work product of this Senate and of the U.S. House of Representatives, is a tragedy in no uncertain terms. Perhaps the tragedy is compounded in the way that interest compounds on debt—when you cannot pay the interest, you begin to pay interest on unpaid interest, and it snowballs.

When you have a welfare system that is intergenerational, you have a snowballing impact of a welfare tragedy, the human cost of which is staggering.

I give you an example. Ernesto Ventura, a 4-year-old child from the inner city of Boston, MA, was brutally abused and neglected by his mother. He is a third generation welfare recipient. His mother Clarabel was 26 years old and pregnant, a mother of six, by five different fathers—I should say men because I am not confident they were fathers. A crack addict, she sold food stamps and even the family's washing machine to get money to purchase drugs.

One day Clarabel went into a rage and plunged Ernesto's arm into boiling water. He did not get any medical treatment until paramedics found him 3 weeks later in a back room of his project housing, smeared with his own blood and excrement.

Ernesto's family is the story of an intergenerational web of welfare. It is not a web that is a safety net. It is a net of ensnarement. Fifteen great-grandchildren now comprise the fourth generation of this welfare web. The type of benefits received by the extended family are the alphabet soup of the acronyms of Washington—all perfectly legal, and just as perfectly destructive to the human spirit. They were designed to help, but seem to destroy the one fundamental ingredient in the recipe for recovery that is absent from our welfare system, and that is hope.

Ernesto Ventura's grandmother Eulalia has 14 living children, virtually all of whom receive a variety of at least one form of welfare benefits from AFDC, SSI, food stamps, Medicaid, subsidized housing. This does not even count what the grandchildren and great-grandchildren and others receive.

It is time for us to understand that we need to move welfare reform to the top of the agenda. We need to insist that the President reconsider his veto of the reform measure which would have dramatically changed this tragedy.

Yes, it is a problem whenever we threaten the fiscal integrity and financial security of the United States. No question about it. There is a need for us to be fiscally responsible, financially accountable. But there is something even more tragic when we threaten the safety and security of the lives of individuals born in this, the greatest nation on Earth, but ensnared in a web of welfare, a net which was meant for safety but which becomes a net of entrapment.

We need to replace the dehumanizing dependence of Government with the dignity of work and hope. It is clear that we have had a system for the last several decades which emphasizes debt instead of discipline; it has emphasized the dehumanizing dependence instead of the dignity of industry and work. It has provided for decadence instead of decency, and the real cost of our approach has been in human lives.

Welfare reform would fundamentally redefine this culture. It is something about which we must be concerned immediately. From a culture of dependence, we must switch to a culture of dignity and hope. And dignity and hope come in the dignity and hope of work.

We enacted a 5-year limit on benefits to say that welfare was a way of helping people up, but not of providing a career. The President vetoed our intentions. We said that there should be no entitlement that exists forever based on the ability of people to qualify, but instead we should give the States the opportunity to structure welfare reform plans which elicit from individuals the kind of behavior that would bring them out of welfare. That therapy was similarly vetoed by the President.

We asked that there be a requirement for work and that people prepare themselves for work, that they develop in themselves the capacity to be productive, to lift themselves and their families out of the web of welfare dependency and out of the snare, the entrapping snare of the so-called net of safety, which has become a net of capture. And requiring work was vetoed by the President of the United States when he vetoed the welfare bill.

We passed a welfare bill which confessed the fact that Government alone is very unlikely to be able to inspire people to the kind of ethics and values that will result in their rescue from the tragedy of welfare. We passed a bill that would invite charitable organizations to deliver services because the compassionate capacity of these organizations meets the deeper needs of individuals, and these organizations tend to view individuals not just as statistics who qualify for a governmental program, but as worthy human beings who have the potential of industry and the potential of opportunity and the potential of service to themselves and others.

Our welfare reform measure included that, and that as well was vetoed by the President of the United States.

We cannot allow the veto by the President of the United States to extinguish the flame of hope that is within us and needs to be rekindled across this Nation from county to county, city to city, State to State, a flame of hope that says we can do better than what we are doing.

The wretched tragedy of the welfare system as it now exists is not something with which we must live. It is something which we can and ought to change. It is not simply a debate about restructuring a Government program. It is a debate about how we will save the opportunity for America to continue to reach its potential. It is a question about rescuing our children and our culture from tragedy.

The human costs of what the welfare system has occasioned are beyond speaking, and the examples are hard to recite. But unless we confront them, we will never understand the desperate need we have to change the way in which we do business.

Every day we fail to reform the welfare system, we are nourishing the seeds of cultural disaster in our country. We have the ingredients for reform in the bills which we have passed. I believe it is time again for us to act and to call upon the President to change his mind on welfare reform and to endorse a reform which will save a generation and provide an opportunity for security and success in this society in the next century.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. ASHCROFT). Without objection, it is so ordered. The Senator from Iowa.

REPLACING FEDERAL RESERVE CHAIRMAN

Mr. HARKIN. Mr. President, I take the floor to speak on a matter of great importance to this country, to me personally and to, I know, every Senator here. A matter of great importance to all the working men and women of America and to our future, for our children.

This is the first time I am going to speak about it, but I am going to speak about it on several occasions in the coming days and weeks.

I wanted to begin the process of talking about one of the most important decisions that President Clinton will be facing during his first term in office. That decision is pending right now. That decision has to do with who will be the next Chairman of the Federal Reserve System.

Will the President renominate Alan Greenspan? Or will the President, consistent with his view that things must change and we must change the way we do things in this country, begin the process of looking for new leadership at the Federal Reserve System?

Mr. President, I believe President Clinton should begin to look for new leadership to head the Federal Reserve System.

Raising the living standards and the real wages of ordinary Americans is our primary economic challenge. But the policy of the Federal Reserve under Chairman Alan Greenspan, I regret to say, stands in the way. Mr. President, he should not be renominated.

Under the Full Employment and Balanced Growth Act of 1978, the Federal Reserve is obligated to conduct monetary policies so as to reconcile reasonable price stability with full employment and strong, stable economic growth. That is the law.

But under the Greenspan Fed, job growth and the living standards of average Americans have been sacrificed in the blind pursuit of inflation control and the interests of the bond market. The Fed has raised interest rates not when inflation was knocking at the door, but when inflation did not even threaten. In 1994, in the midst of 7 straight rate increases, Chairman Greenspan himself acknowledged that there was no evidence of inflation.

It is time for the Federal Reserve to pursue a more balanced policy, based on raising economic growth and increasing jobs, alongside continued vigilance against inflation. Outgoing Vice Chairman Alan Blinder argued for just such a course.

With the downsizing of Government spending and its more limited ability to stimulate the economy, the significance of the Federal Reserve interest rate policies has grown even larger.

Chairman Greenspan is guided by a concept called the ''natural rate of unemployment''—the principle that there is some definite rate of unemployment below which workers' incomes will rise, leading to rising inflation. And, obviously, Mr. Greenspan accepts statistical estimates by some economists that tell him the rate is now at, or near, 6 percent unemployment. In other words, if we fall below 6 percent unemployment, inflation is going to, boom, go up. But unemployment has been just below 6 percent for over a year, and inflation continues to fall.

Unfortunately, the Greenspan policy of slow growth and high interest rates rests on one enduring doctrine—that high unemployment is good for the economy. Today, unemployment stands at 5.8 percent. That is far too high. And 7.7 million unemployed Americans is far too many.

But according to Greenspan Federal Reserve Board dogma, there just may not be enough out-of-work Americans. Now, by contrast, Federal law sets a goal of unemployment at 4 percent, a goal of 4 percent unemployment.

Of course, I do not think anyone has all the answers, but it is time we started using some plain common sense for some positive changes.

The first step to getting back on the right track is to set our sights on a higher rate of economic growth and a lower rate of unemployment. And the key to this is to lower interest rates and keep them as low as reasonably possible.

Under new leadership, we could look forward to more growth, to lower unemployment. But I daresay not under Alan Greenspan. His feet are planted firmly in the past.

What about the fear of inflation? Well, we cannot perfectly predict the future or rule out a rise in inflation sometime in the future, so we have to continue to be vigilant and well-prepared. But most forecasts are for continued low inflation.

Our economy is much more global and open to worldwide competition. We have a new culture of mass discounting in retailing, cost efficiency in manufacturing, some pretty ruthless economies in almost every branch of trade. We have rapid technological changes, especially in computers, which are playing a role, allowing for lower cost replacements for goods whose costs rise. Oil supplies are high, relative to current demand.

Well, what all of this really means is that we can now have fuller employment without inflation—allowing our workers to fully benefit from their higher productivity with higher incomes—that is, if we push for fuller employment through our monetary policy. That is where it has to come from.

Real growth to strengthen our economy is essential. Over the last 20 years, our economic growth has fallen by about one-third over what it was previously. That huge drop in our economic growth has cost our economy in the neighborhood of $14 trillion. What that means is stagnant incomes for average families, higher unemployment, and a lower quality of life in America.

Mr. President, I have an article that appeared last year, but I thought it summed it up pretty well. Patrick Gaughan, Director of the New Jersey Economic Research Center said:

> We blame Alan Greenspan. Seven interest rate increases are taking their toll. Greenspan's statistics represent picking up effects that are apparent in day-to-day living. People listed as employed are working part-time jobs without benefits. If you lost a six-figure job and got one back at $30,000, you are treated the same in unemployment rates.

He goes on to say that he thinks the Fed is preoccupied with inflation:

> Whether inflation goes up 1 or 2 percent is far more important in the eyes of Greenspan than whether a person has a full-time versus a part-time job. The average person cares more about having a full-time job than he does about paying a nickel more for a loaf of bread. The Federal Reserve has gotten so insulated it doesn't realize these things.

Let me say that last sentence again: ''The Federal Reserve has gotten so insulated it doesn't realize these things.''

He is not the only one that has been critical. Jerry Jasinowski, head of the National Association of Manufacturers said:

> The Fed is fundamentally misreading the American economy. They ought to get out from behind their desks and see what is really happening in plants and on factory floors.

So it seems, Mr. President, that serious questions are not being raised and being asked about the leadership of the Fed under Alan Greenspan. I am not here to say that Mr. Greenspan is not a good and decent man, and I am sure he wants what is best for his country. I am just saying that his economic theories and his approach are out of date. Maybe some time in the past, but not for today's economy. Not for the rapid changes that are taking place in the world, for American workers whose incomes are stagnant and who need to have their incomes raised, because they can have higher productivity. We can have greater growth in this country than 1 percent or 2 percent, and we can have this growth without the fear of inflation.

As I said, Mr. President, I will repeat, over the last 20 years, our rate of economic growth has fallen by a third over what it was previously. That has cost us $14 trillion. That has an impact on average families on unemployment, lower jobs, lower quality of jobs, lower income.

The chairmanship of the Federal Reserve is up soon, next month, I believe. Mr. President, it is time for a change. President Clinton has the opportunity to bring about positive change by bringing in new vision and new leadership to this position. America needs a forward-looking Fed Chairman who recognizes the importance of expanding opportunities for our economy and our people in today's global market.

We need strong leadership, committed to higher growth and higher incomes, fuller employment, and lower, more stable interest rates, to improve the quality of life for average Americans. Mr. President, Alan Greenspan's time has passed. It is time for new leadership at the Fed.

Mr. President, I have an article here that appeared in the International Economy in November-December 1995, by William Greider. I ask unanimous consent that it be printed in the RECORD.

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

[From the International Economy, Nov.–Dec. 1995]

SLEEPING WITH THE DEVIL

BILL CLINTON WILL LOSE THE 1996 ELECTION UNLESS HE CHANGES HIS ECONOMIC STRATEGY. DUMPING FED CHAIRMAN ALAN GREENSPAN WOULD BE A GOOD START

(By William Greider)

The killer campaign issue of 1996 is the same old criterion that usually determines the fate of incumbent presidents—incomes and general prosperity—and by that measure Bill Clinton looks like a goner. The financial economists at the Federal Reserve and the White House congratulate themselves for having tamed Americans' unruly appetites by engineering a 2-by-2 economy that appears quite satisfying when viewed as abstract policy: 2 percent growth, 2 percent inflation. But the political problem is that in the real world, where most voters live, this slow-growth regime guarantees the continuing erosion of wage incomes for most American families.

The last peak in the median family income occurred in 1989, followed by recession and a shrinkage of 7 percent. But although the economy was again growing in 1995 after expanding smartly during 1994, income levels had still not regained the lost ground. Since Clinton's election, wages have been flat or falling (discounted for inflation) for everyone except the top 30 percent of women on the income ladder and the top 20 percent of men. Such beneficiaries are not exactly lunch-bucket Democrats.

Clinton's presidency is distinctive in these terms: Unlike previous cycles, most people did not receive the usual bounce in family incomes once the ''good times'' supposedly resumed. The wage declines persisted despite the modest recovery and the healthier growth rate during 1994. Then the Federal Reserve stiffed the president: 4 percent growth, it announced, was dangerously inflationary, and it thus pulled the plug on the Clinton recovery.

As in so many other matters, Clinton meekly deferred to the wisdom of his elders. He made not a peep of protest as Alan Greenspan raised interest rates and cast a heavy shadow over his reelection prospects. The White House actually concurred with this move and the president's principal economic advisor, Laura Tyson, even boasted about the depressed labor costs, which were rising in 1993 at one of the lowest annual rates in three decades. ''We see a very well-behaved employee compensation index,'' Tyson announced. Well, in 1996 the president is going to see some very ill-behaved voters—including many of the working-class Democrats who were among his original electoral base of 43 percent.

Bill Clinton made his choices and now he has to live with the results. Though elected as a Democrat by talking eloquently about the crisis of declining wages, he opted for a financial-market strategy for governing; trusting the Fed and the bond market to reward him for enacting significant deficit reductions by lowering interest rates. But both of them ran out the door once Clinton had trashed his own campaign promises to increase public investments. When Republicans play to the bond holders, they employ superior timing: They take the hit on the economy early in the presidential term so things will be back on track and growing robustly in time for the next election. The investment bankers Clinton recruited as advisors seem quite naive about electoral cycles (or perhaps indifferent to his fate).

My hunch is that Clinton cynically assumed he could get around to helping the folks during the second half of his term, pumping up their gratitude with new programs just in time for his reelection. But that door slammed shut last November when the Republicans took over Congress and rediscovered fiscal prudence.

What's occurring is quite explosive for American polities and threatening to both parties. The overall returns from conventional economic growth are no longer being distributed widely through out the society, but rather are skewed upward to a fairly small group of citizens. The implications are devastating for the president, but ultimately also for the ascendant Republicans with their much-celebrated ''revolution,'' since they too have no answer to the wage problem. If most American families continually lose ground during the ''good times,'' is it any wonder national politics is turning weird and unstable?

Of course, no president can be expected to singlehandedly reverse the deeper wage trends, but it matters to people whether a politician is pulling for them or against them. Clinton's gravest political error was to sit passively while Greenspan and the Federal Reserve Board knocked the steam out of the economy. That decision effectively guaranteed that wages for most people will continue to decline throughout his presidency. By the summer of 1995, Clinton was delivering soulful speeches lamenting the effects that the forces of globalization were having on average American families. But the words are unconvincing since he himself aligned with those forces.

The iron law of presidential politics holds that an incumbent needs robust, rising prosperity during his reelection year to win a second term. If the reverse occurs, as it now is, he loses. From Herbert Hoover to George Bush, there have been no exceptions to this rule. Of course, Clinton can perhaps somehow elude these fundamentals with luck and a clever campaign, but it would require an historic levitation of public opinion.

The key electoral indicator is real per capita disposable personal income: the money people have left to spend after taxes and inflation have taken their bites. When that indicator is rising sharply it is a reliable ''feel good'' barometer for the nation even if it does not reflect the gross maldistribution of incomes. Last year, disposable income was expanding mildly at about 2 percent until the fourth quarter, when it spurted by a very robust 6.4 percent, due to the surging economic growth. If the economy had continued growing by 4 percent a year, greater and greater numbers of people would have gradually shared the benefits. Instead, the Fed's brakes took hold and personal income growth also began subsiding at an even more rapid pace.

By the spring quarter, disposable income was shrinking at a rate of minus 2 percent. I don't know how Clinton's economic wizards expect to reverse such a trend, but they must attempt to do so quickly—or Clinton will join Bush and Jimmy Carter in the one-termers' Hall of Fame.

To counter this reality, Clinton has an excellent campaign issue sitting on his desk if he has the nerve to use it: dumping Greenspan. The Federal Reserve chairman, a conservative Republican economist first appointed by Ronald Reagan and reappointed by Bush, completes his second term in March. The smart money says Clinton will reappoint him to another four-year term since—it is assumed—the Republican Senate will refuse to confirm anyone else, especially anyone burdened with such old-fashioned concerns as family incomes.

But instead of acceding to this scenario, Clinton ought to discard the old pieties about the supposedly independent Federal Reserve, ignore his own advisors and make a noisy fight of it: ''I am replacing Alan Greenspan because his slow-growth economic policies are hurting average American families.'' If Bob Dole wants to defend the Federal Reserve's noose on the American economy, let him. If Wall Street financial analysts freak out, all the better. If Republican senators refuse to approve a new chairman, Clinton can run on the issue all year long. The central bank will run just fine with a temporary chairman, while politicians debate the gut issue of American politics: the prospects for economic growth.

Politics aside, here are three substantive reasons to shake up the central bank:

1. Greenspan is an appropriate symbol of the wage disorders and the larger economic debate that ought to engage the nation in 1996. The immediate question for candidates is this: Do you agree with the Federal Reserve's gloomy assumption that the U.S. economy must not grow faster than 2 percent to 2.5 percent a year? If the American economy is permanently constrained to 2 percent growth, forget all the other issues that politicians propose, since most families are certain losers in such a scenario. Which side are you on?

2. Greenspan's intellectual explanations for why the Fed had to squelch the [economic] recovery are quite lacking and will not withstand serious scrutiny by intelligent graduate students, much less rank-and-file citizens. ''The chairman has proposed a simple-minded rule for determining what he calls ''the maximal growth of a nation's well-being.'' (Note: He does not say ''maximal economic growth'' or explain whose ''well-being'' will be maximized by his policy.) His rule is that, since the labor force expands by 1.1 percent and productivity by 1.4 percent, that adds up to 2.5 percent growth and that's it. Anything more, he opines, ''would in the end do more harm than good.''

What's wrong with his numbers? Usual ideological arguments over growth and inflation aside, the Federal Reserve assumes the economy is already at full employment—that there are no willing workers left to employ. Anyone who spends a few minutes examining the reality knows this is fraudulent: it excludes the millions of involuntary part-time workers and the millions more who are simply not counted. It presumes a static perfection in job markets that will seem ludicrous to anyone who talks to young people looking for jobs (or to the older people who have been restructured out of theirs). Greenspan's 2 percent solution is terrific for the bond holders but terrible for the future security of most families.

The Greenspan logic, oddly enough, also excludes the global economy—the competition of low-priced imports that serve as a market restraint on U.S. wages and prices, the gross overcapacity in the worldwide production base and the ability of the multinationals to shift their output from country to country, adjusting to the cycles of supply and demand. The country needs a larger debate on all such matters but it will not receive one as long as politicians defer to the opaque reasoning of the Fed.

3. Another strong reason to dump Greenspan is that he has been highly political despite the supposed non-partisan nature of the independent central bank. This Fed chairman has been mucking around in all sorts of political issues far beyond the ken of monetary policy, usually in ways that will injure broad ranks of citizens. First cozying up to Clinton, he is now sucking up to the new Republican majority in Congress. He pushed Clinton to drop his original jobs agenda and instead deal with the deficits. Now Greenspan is collaborating with Republicans so they too can break their promises.

Greenspan provided the stimulus for a devious game that is underway to cut Social

Security and raise income taxes—both of which the Republicans promised not to do in their celebrated ''Contract With America.'' Greenspan personally began the proceedings early in 1995 when he announced the Fed's conclusion that—eureka!—the Consumer Price Index overstates inflation by as much as 1.5 percent. Never mind the obvious contradiction this asertion posed for the chairman's own arguments about inflationary dangers and the need to stifle the economy.

Greenspan's purpose was to suggest that by adjusting the CPI Congress could lop more than $20 billion from Social Security and other benefit programs and add a similar amount in higher tax revenues. The CPI is used to calculate annual cost-of-living increases for a variety of entitlement programs and to protect taxpayers from being pushed into higher tax brackets by inflation. Adjust it downward and Congress can find $40 billion or $50 billion. Look, no hands—we're cutting Social Security and raising taxes and nobody can see us doing it. This is the type of sleight-of-hand that Americans have come to expect from Washington and it is the reason both parties are loathed. If Republicans try to speak this into legislation late at night. I hope the voters catch them.

Clinton could use all of these arguments to explain why he is replacing the Federal Reserve chairman, though I concede it would be out of character for him to do something so provocative and independent of the conventional wisdom. But think of the bumper sticker:

''Dump Greenspan. He's Good for Bonds/Terrible for Wages.''

''Dump Greenspan: The Guy is Standing on Your Paycheck.''

''Dump Greenspan: He Stopped the Party Before You Got Any Punch.''

If Clinton doesn't rewrite his hair shirt economic message, he will be stuck in about the same place that Jimmy Carter was in 1980, telling voters: ''Sorry about the economy, folks, but this is about as good as it's going to get.'' Rational voters, given that choice, will usually opt for something else—anything else—even a fairly loopy or nasty alternative.

I Remember the Gipper's favorite question: ''Are you better off now than you were four years ago?'' Next year, I expect Republicans to ask that question again, with devastating effect, Once again, they will be able to grab the high ground from the Democratic Party by calling for faster economic growth. Speaker Gingrich occasionally opines that the economy can grow at a 5 percent rate, through he does not explain how, given the obvious contradictions with the austerity provisions of the GOP agenda and the Federal Reserve's assumption that 2 percent growth is ''maximal.''

In other words, if the Greenspan era continues for another term, the political questions about economic growth will not go away. The same contraditions—the broad deterioration of incomes and the central bank's doleful logic—will confront Republicans if they win the White House. The Republicans are leaning on the same frail reed that failed Clinton: a vague hope that the Federal Reserve and the bond market will help them by lowering interest rates. They should get Greenspan to put this in writing.

The dilemma of the economy's growth rate is at the center of American politics but is seldom directly debated, since almost everyone assumes that faster is better. Even the antigovernment conservatives promote various proposals, such as a capital-gains tax cut or regulatory decontrols, based on the same premise: The measure will produce faster economic growth. But how can they do so, if the Fed insists 2 percent is the most the nation can handle? if voters and politicians ever grasp the contradiction, it may well be triumphant Republicans, not Democrats, who finally have to take on the Fed.

Mr. HARKIN. As I said, Mr. President, I will be discussing this issue at greater length in the days and weeks to come. I guess we are on recess now. I guess the Senate will be in again later this week and I guess next week. I do not know when. But I hope to take some more time on the Senate floor to discuss the Federal Reserve System and why what they are doing and the course of action they are taking is not consistent with the real world. It is what is happening in the global economy, with what is happening to real competition, with what is happening to the need, and not only the need, but the possibility of real economic growth in this country.

The growth rate that seems to be acceptable to Mr. Greenspan I do not believe is acceptable to the rest of this country. From February 1994 to February 1995 under Chairman Greenspan interest rates were raised seven times—seven times in 1 year, three percentage points. It went from 3 percent to 6 percent in the year that ended in February 1995.

Now, we do have to be vigilant about keeping inflation in check. But even Mr. Greenspan said there was no inflation. Inflation has not been threatening, certainly not in the last year, Mr. President. But you would think if that is the case, interest rates would come down. But since February of last year, the Fed has lowered interest rates only three-quarters of a point. So he can raise interest rates 3 percent in 1 year, but in the next year he can only lower them three-quarters of a point. The recent small reductions may make people feel a little good. But they are still not down to where they were in February 1994.

I find it more than passing strange that interest rates can go up 3 percent in a year but they can only come down three-quarters of a point in the following year when there is no inflation threatening at all. I think it is very important to talk about this because of the significant impact it has on our economy and the income of average Americans.

I know there are other Senators who feel as I do. I know that Senator DORGAN also wants to take the floor to speak about this issue and about the need for a new policy, for new policy directions at the Federal Reserve System.

Mr. President, I wanted to take the floor to alert my colleagues that I will be putting more information in the RECORD and I will be discussing this at length in the days and weeks to come. As I said, I certainly hope that President Clinton will see the necessity for new leadership, and through guidance at the Federal Reserve System, appoint someone with a new vision, someone with new vigor and energy who understands the real world as it is out there and who is not just locked into outdated, outmoded and time-worn economic philosophies that have no bearing or no real relationship to the real world as we see it today.

I am publicly calling on President Clinton to bring new leadership to the Federal Reserve System next month. I yield the floor.

CAMPAIGN FINANCE REFORM

Mr. SPECTER. Mr. President, I have sought recognition to comment about the increasing public concern about the unlimited amounts of money that individuals spend from their own private fortunes to gain public office in the United States, which I believe poses a real threat to democratic government in our society.

I have spoken about this subject in the past and have, along with Senator HOLLINGS, supported constitutional amendments, because that is what is necessary to deal with this campaign finance reform issue, because the Supreme Court of the United States decided a little more than 20 years ago, on January 30, 1976, in a case captioned Buckley versus Valeo, that an individual can spend as much of his or her money as he or she chose, notwithstanding spending limitations on everyone else.

As I have said on this floor, that case had a substantial personal impact on me because I had declared my candidacy for the U.S. Senate in late 1975 when the campaign finance law had recently been enacted. In 1974, specified on a population basis for the State, a State the size of Pennsylvania had a limit of $35,000, which is about what I had in the bank, having recently returned to private practice after having been district attorney of Philadelphia.

That year I contested a man who later became a very distinguished U.S. Senator—he won the election in 1976—a very close personal friend of mine, Senator John Heinz, who was able to spend beyond the limits established under the statute because the Supreme Court of the United States declared the law unconstitutional, on first amendment grounds, limiting the amounts anybody else could spend. My brother, for example, could have contributed substantially but could only spend $1,000 by way of contribution.

This has become a proliferating, expanding problem in our society, with many Senate seats having been, in effect, bought with enormous personal contributions. Now we are seeing the matter played out on the national level, obtaining a lot of national notoriety, with recent disclosures showing expenditures in excess of $15 million because people are not limited by the Federal laws if they choose to spend their own money. Those Federal laws on matching funds for the Presidency limit the amount that anybody can spend, if they take Federal funding, to