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Senate

(Legislative day of Wednesday, February 7, 1996)

The Senate met at 11 a.m., on the expiration of the recess, and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Dear God, thank You for revealing the quality of Your love which You seek to reproduce in our relationships. You have told us that:

Love suffers long and is kind; love does not envy; love does not parade itself, is not puffed up; does not behave rudely, does not seek its own, is not provoked, thinks no evil, does not rejoice in iniquity but rejoices in the truth; bears all things, believes all things, hopes all things, endures all things. Love never fails.—I Corinthians 13:4–8a.

Father, may we experience this quality of love in our relationship with You so we will be able to love one another with the same giving and forgiving, indefatigable and inexhaustible love. Give us tough love for troublesome thick-skinned people and tender love for overly sensitive thin-skinned people. Today help us to be as kind, accepting, and patient to others as You have been to us. In the Lord's name. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

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

SCHEDULE

Mr. LOTT. Thank you, Mr. President. Today there will be a period of morning business until the hour of 1 p.m., with the time equally divided between both sides of the aisle. No rollcall votes will occur during today's session; however, the Senate may consider any legislative items that can be cleared for action.

As a reminder to all Senators, the next rollcall vote will occur at 2:15 p.m., on Tuesday, February 27. That vote will be on the motion to invoke cloture on the D.C. appropriations conference report.

Mr. LOTT. Mr. President, I understand that there are some Senators who will wish to speak on various subjects this morning. Is the Senator from Iowa prepared to speak at this time?

Mr. HARKIN. I would just respond, it will be about 60 seconds.

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

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative 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 President, I ask unanimous consent that the order for the quorum call be rescinded.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. FRIST). Without objection, it is so ordered.

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of morning business.

THE CHAIRMAN OF THE FEDERAL RESERVE BOARD

Mr. HARKIN. Mr. President, I would like to take a little time this morning to speak about an issue that has simply not received the kind of scrutiny and attention that it deserves. That is the renomination, or possible renomination of Alan Greenspan as Chairman of the Federal Reserve Board. Arguably, perhaps, the second most powerful person in America today with regards to our economy and unemployment and interest rates and how fast our economy will grow or how slow it will grow is the Chairman of the Federal Reserve Board.

Some have said the most important person is the President, but I guess to my way of thinking I think perhaps the Federal Reserve Board Chairman is the single most important and most powerful person in America today regarding decisions about what our economic life is going to be like in the months and few years ahead.

I say that not to denigrate the office of the President, but simply to point out that because of the downsizing of Government, because of budget cuts, because of shifting more power from the Federal Government to the States, because of the diminishing role of the Federal Government in the economic life of our country—I do not mean to get into a debate of whether that is good or bad. We have those debates all the time around here. The fact is it is happening. Thus, it devolves to the Federal Reserve Board in their deliberations about interest rates and discount rates and Federal fund rates to decide just what is going to happen in the economy. That has more of an impact on the economic life of America today than anything the President can do and arguably more important than anything we can do here in the Congress of the United States. Yet, this position of so much power and so much authority is kind of kept in the dark corners. We have not shown much sunlight on the Federal Reserve, or the chairmanship of the Federal Reserve and on who should be the Chairman.

Mr. Greenspan is finishing a 4-year term as Chairman. His time is up, I believe, in just a few days. It will be up to the President, under the law, to either reappoint Mr. Greenspan or to choose someone else to send to the Senate for confirmation as the new Chair of the Federal Reserve Board.

I make the argument today, as I did over a week ago, Mr. President, on the

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

floor of the Senate, that Mr. Greenspan's time has come and gone, that his feet are firmly planted in the past and that his policies are no-growth policies. They are policies of high interest rates, no growth that is going to throttle our economy. Mr. Greenspan's policy has been—and I think a close scrutiny of his comments and his tenure both at the Federal Reserve and years ago on the Council of Economic Advisers will show—that here is an individual that has little concern for unemployment or what is happening to average Americans. Like a laser beam, his sight is only on inflation and the bond market and nothing else.

I believe, Mr. President, that has worked to the detriment of our country.

Mr. President, it was 50 years ago today that President Truman signed the Employment Act of 1946 into law—50 years ago this day. That is why I feel my words today are so important. That measure that signed into law 50 years ago today said that we should make it a matter of national policy to help create and maintain conditions to promote maximum employment, maximum production and purchasing power in our country. Note that it said ''maximum employment,'' to promote it as a national policy.

Mr. President, there is a lot of rhetoric about the need to promote strong families, but when one talks about strong families, having a decent job is a crucial component of whether or not you have a strong family.

To further the goals of the Employment Act of 1946, Congress passed the Humphrey-Hawkins Act in 1978, which by law set out a requirement that the Federal Reserve have a goal to maximize full employment along with stable prices and moderate long-term interest rates. In other words, what we were saying is, you do not just take one; they all have to be kept in balance: full employment, stable prices, and moderate long-term interest rates.

Mr. President, we ought to be reaffirming those goals, but unfortunately some now say we should limit them instead. They want to prescribe low or no inflation as the sole criterion, as the sole cure for all of our economic ills. Well, you can have zero inflation and you can have it with very high unemployment. I do not think that is what our country wants.

My colleague from Florida, Senator MACK, has a bill to provide that the single goal of the Federal Reserve should be long-term price stability with only a secondary concern for the effects of employment. The bill says the single goal of the Federal Reserve should be long-term price stability. In other words, Senator MACK's bill basically takes that part of the Humphrey-Hawkins Act of 1978 that says that we should have a goal to maximize full employment and takes that out of appropriate consideration.

Imagine that, that we should not be concerned about unemployment. I tell you I find that mind-boggling, that someone would even suggest that we should not properly consider unemployment, we should only consider long-term price stability.

I might understand that a Senator or Congressman or more than one might prefer that option as a matter of policy, propose it at least for debate. I must admit I have not spoken personally to my friend Senator MACK—and he is my friend, the great Senator from Florida—I have not spoken with him personally about it. Maybe he only wants this open for debate. I do not know. But the disturbing part is not that Senator MACK introduced this bill, the disturbing point is that Alan Greenspan, the Chairman of the Federal Reserve, has endorsed that legislation.

Now, lest anyone think I am making this up, I have the hearing transcript where Mr. Greenspan basically, in open hearings, said he endorsed that legislation. Mr. President, here is the hearing record. This is a verbatim transcript from September 22, 1995, before the Senate Banking, Housing, and Urban Affairs Committee. I will just read the portion about Mr. Greenspan. It says:

> Your bill [referring to Senator MACK] which we fully support—

The rest does not make much sense. The most important, he said, ''Your bill, which we fully support.''

Mr. Greenspan has come out in support of taking out of consideration, in setting their policies, any concern for unemployment.

We will look now at the history. Between February 1994 and February 1995, 1 year, he raised interest rates by 3 full percentage points. Why? Well, in the fear that inflation might happen. But when asked, Mr. Greenspan himself said there was no inflation. Yet he raised interest rates 3 percentage points. I might point out, Mr. President, that Mr. Greenspan raised those interest rates five times before the election of 1994—five times he raised interest rates. The economy came to a grinding halt. Wages were depressed. People were not hiring. Business could not invest. The economy became more stagnant in 1994.

I might also point out there has been some talk lately that the Fed is loosening up and starting to reduce interest rates. I can imagine Mr. Greenspan wanting to get reappointed as Fed Chairman and wanting to look good so he brought interest rates down a little bit. In 1 year, February 1994 to February 1995, Mr. Greenspan raised interest rates 3 percentage points. From February 1995 to this February, they have only gone down three-quarters of 1 point—three-quarters of 1 point. I think that says it all.

Again, he raised interest rates, no inflation in sight. But because of Mr. Greenspan's narrow vision, he damaged our economy and limited the opportunity of millions of Americans to secure employment. Rather than viewing rising incomes of average Americans as a good thing, Alan Greenspan used it as a threat of future inflation.

Mr. President, inflation today is at its lowest point in 30 years, with only 1 year being an exception. Unemployment is now at 5.7 percent and has been below 6 percent for 17 months. I might point out that the law stipulates as a goal 4 percent unemployment, not 6 percent.

Mr. President, unemployment is high, just below 6 percent while Inflation is down. All is not well in our economy. Real incomes of average families have been falling. This past Sunday's Washington Post had a chart which showed the family incomes from 1979 to 1993. The top 20th of our Nation had their incomes rise by 29 percent, better than 2 percent per year for the top 5 percent of our country. However, those in the middle saw their standard of living drop by 2.6 percent. The top 5 percent had their incomes rise by 29 percent; the middle had a drop of 2.6 percent. Those families in the bottom 40 percent of our population saw their incomes actually fall during that period of time—not go up, but actually fall. For the bottom 20 percent, they fell by more than 1 percent a year; the top 5 percent in income in our country increased their incomes by better than 2 percent a year. The bottom 20 percent saw their incomes fall by 1 percent a year over that same period of time.

It has not always been that way. From 1966 to 1979 all groups saw rising incomes of more than 1 percent a year—all groups. Each one-fifth of the population saw real, genuine gains above 1 percent per year in sharing in America's growth. Not anymore. A few at the top are making more and more and the people in the middle are either staying stagnant or they are going down. Now, there are probably a lot of reasons for this change. One of the reasons we are seeing this lack of income growth across the board is a purposeful, deliberate, slow-growth policy pushed by the Chairman of the Federal Reserve Board. Always fearful of inflation, even when little threat exists, he has used his position to maximize interest rates relative to inflation, smothering any hint of substantial growth.

Mr. President, Mr. Greenspan cannot have it both ways. He cannot raise interest rates by 3 percent, say that there is some threat of inflation out there but he cannot put his finger on it, and then turn right around as he is raising those interest rates and suggest that the Consumer Price Index possibly overstates inflation by as much as 1 to 1.5 percent. How can he say that inflation is threatening and then turn around and say that the Consumer Price Index overstates it by 1 to 1.5 percent when inflation is only about 2.5 percent per year right now. Yet Mr. Greenspan has tried to have it both ways.

The President and the CBO are looking at the economy right now growing at about 2.5 percent over the long term.

We had a big debate here last year, Mr. President, about what the economy is going to do in the future, what our budget ought to be and everything. If the economy can grow by an extra point, say 3.5 percent, the impact on Americans' standard of living over a period of time would be huge. How much? Trillions of dollars, trillions of dollars in additional income for America, thousands of dollars for the average family a year, if we had a progrowth policy at the Federal Reserve Board.

Even if we cannot get to 3.5 percent, if we could get it to 3 percent, we could wipe out our deficit, balance our budget, provide better wages for Americans, more job opportunities and probably reduce unemployment. But it is going to take a different person at the helm of the Federal Reserve to make this happen.

Now, I had in the past called upon the President to nominate a different person, someone with a more progrowth policy to head the Federal Reserve. I am pleased that the President has suggested we need a debate about the ability of the economy to perform at a higher growth rate over the long term. As I understand it, from reading the newspapers last week, the President wanted to appoint Felix Rohatyn to be Vice Chairman of the Federal Reserve. I do not know this, but I assume the President felt that with Mr. Rohatyn, who is a progrowth individual, there would be good debate at the Federal Reserve about the need for progrowth policies. But there was solid opposition from some on the other side of the aisle here in the Senate on the Banking Committee, and they said no way would they permit Felix Rohatyn to be approved and to go through for confirmation.

I find that very disturbing, Mr. President, that a person of the caliber of Felix Rohatyn is turned down before we even have one hearing, turned down by people on the other side of the aisle, I think, because they did not want this debate to take place. That is a shame. I think it is a great loss. If America is to achieve greatness, we have to allow the economy to grow faster.

Now, bond traders on Wall Street will always be pushing for a tighter monetary policy. I understand that. But the President and the Chairman of the Federal Reserve Board need to look more broadly at the needs of the whole economy and the welfare of American families who need an improved standard of living and not just the welfare of the bonds traders on Wall Street.

Mr. President, so I do not seem like a voice crying in the wilderness, I will read parts of an article by the editor in chief of U.S. News & World Report, Mortimer Zuckerman, February 12, 1996, entitled ''Chairman Greenspan, Retired.''

I want to read a couple parts of this, from the February 12, 1996, U.S. News & World Report:

The Federal Reserve Board cut the federal funds rate last week, right? Wrong! Yes, nominal rates went down a minuscule one quarter of 1 percent.

Mr. Greenspan looked good saying he is cutting interest rates. Mr. Zuckerman is pointing out they really did not go down.

But real rates, adjusted for inflation, actually have increased because the inflation rate has fallen faster over the past several months than has the Federal funds rate. Running scared from a phantom inflation, 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.

Mr. Zuckerman has it right. He goes on:

Just to keep real rates where they were, the federal funds rate would have had to have gone down by as much as a full percentage point. Instead, we have a fed funds rate that is still nearly 3 points above the most recent quarterly inflation rate, much higher than normal by historical standards. What's more, this is not only the wrong battle, it is the wrong target. Higher interest rates hurt manufacturing more than services, yet manufacturing inflation has not been a problem. In fact, we are experiencing the worst manufacturing slow down since 1991, and the indicators suggest even more weakness ahead. Just last month, for example, nonfarm employment fell by 201,000 jobs. No wonder more and more businesspeople, from the National Association of Manufacturers to Main Street and Wall Street, are so unhappy with Federal Reserve policy.

Mr. Zuckerman goes on, in another part of his article, to say this:

The jobless recovery of the early 1990s has become the wageless expansion of the mid-1990s. We have no wage pressure on prices. We also have no import inflation because of a stronger dollar. At the consumer level, spending is very weak, reflecting stagnant personal income and real wages. Retail sales growth, which averaged 7.8 percent during 1994, declined to less than 5 percent in 1995. In the final quarter of the year, consumer spending was growing at an annual rate of 1 percent or so; adjusted for inflation, that's an actual decline. As a result, so-called demand-pull inflation—when hot consumer spending pulls up prices—is nonexistent. What we do have is a buildup in inventories, especially of durable goods, that is bound to slow the economy even more.

Last, Mr. Zuckerman closes his article by saying the following:

We must do better. The fear of inflation has proved to be a chimera. Short rates have come down too little and too late to boost a weakening economy. The country does not have to endure the effects of the Fed's misjudgments in 1995 being extended into 1996.

Alan Greenspan's term as Fed chairman would not survive a Democratic Congress. It ought not survive a Republican one either. Congressional Republicans should recognize that none of their programs to cut back government will survive a slow-growing economy that fails to provide Americans with good jobs and a sense of optimism about the future. The inflationary obsession of the Fed is not healthy; it is reactionary. It is cramping out todays and sacrificing our tomorrows.

Mr. President, I ask unanimous consent that the full text of Mr. Zuckerman's article be printed in the RECORD.

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

[From U.S. News & World Report, Feb. 12, 1996]

CHAIRMAN GREENSPAN, RETIRED

(By Mortimer B. Zuckerman)

The Federal Reserve Board cut the federal funds rate last week, right? Wrong! Yes, nominal rates went down a minuscule one quarter of 1 percent. But real rates, adjusted for inflation, actually have increased because the inflation rate has fallen faster over the past several months than has the federal funds rate. Running scared from a phantom inflation, 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.

Just to keep real rates where they were, the federal funds rate would have had to have gone down by as much as a full percentage point. Instead, we have a fed funds rate that is still nearly 3 points above the most recent quarterly inflation rate, much higher than normal by historical standards. What's more, this is not only the wrong battle, it is the wrong target. Higher interest rates hurt manufacturing more than services, yet manufacturing inflation has not been a problem. In fact, we are experiencing the worst manufacturing slowdown since 1991, and the indicators suggest even more weakness ahead. Just last month, for example, nonfarm employment fell by 201,000 jobs. No wonder more and more businesspeople, from the National Association of Manufacturers to Main Street and Wall Street, are so unhappy with Federal Reserve policy.

The traditional central bank role is to take away the booze when the party gets too raucous. But what we have today is a glass of water served to a gathering of teetotalers. There is no inflation to fight. The nominal rate is about 2 percent for the last quarter of 1995, and even that is overstated by as much as 1 percentage point. In short, inflation is declining instead of rising, as it usually does at this point in a business cycle—a clear tip-off that the economy is not in good shape. Even the Fed's key indicator of inflation—the time it takes for vendors to make deliveries of capital goods—is stable, in contrast to the stretching out that occurred at the end of 1994. Unit labor costs (wages and benefits adjusted for productivity), which make up two thirds of a product's price, are no higher today than they were a year ago—the first time we have had zero growth in this index for 30 years.

The jobless recovery of the early 1990s has become the wageless expansion of the mid-1990s. We have no wage pressure on prices. We also have no import inflation because of a stronger dollar. At the consumer level, spending is very weak, reflecting stagnant personal income and real wages. Retail sales growth, which averaged 7.8 percent during 1994, declined to less than 5 percent in 1995. In the final quarter of the year, consumer spending was growing at an annual rate of 1 percent or so; adjusted for inflation, that's an actual decline. As a result, so-called demand-pull inflation—when hot consumer spending pulls up prices—is nonexistent. What we do have is a buildup in inventories, especially of durable goods, that is bound to slow economy even more.

Meanwhile, the deficit continues to decline and in 1996 and 1997 will create more fiscal drag because no agreement has been reached on the budget, thereby squeezing discretionary government spending even more harshly. Exports are constrained by the weakness of our biggest trading partners.

Only corporate investment is booming, boosting supply more rapidly than consumption—another clear antidote to any inflationary pressure. But it isn't enough: Merrill Lynch is justified in lowering its forecast for U.S. economic growth to less than 2 percent for 1996, the first half being particularly weak.

We must do better. The fear of inflation has proved to be a chimera. Short rates have come down too little and too late to boost a weakening economy. The country does not have to endure the effects of the Fed's misjudgments in 1995 being extended into 1996.

Alan Greenspan's term as Fed chairman would not survive a Democratic Congress. It ought not survive a Republican one either. Congressional Republicans should recognize that none of their programs to cut back government will survive a slow-growing economy that fails to provide Americans with good jobs and a sense of optimism about the future. The inflationary obsession of the Fed is not healthy; it is reactionary. It is cramping our todays and sacrificing our tomorrows.

Mr. HARKIN. Mr. President, as Mr. Zuckerman has said, we need to stop chasing the ghost of inflation. We need to appoint a respected individual who will take a balanced view about the needs of our economy and not place a choke hold on our Nation each time it strives to move forward with any real speed. Since Alan Greenspan became Chairman of the Federal Reserve, the economy has grown by a dismal 2.1 percent, compared to 3.4 percent from 1959 through 1987.

Again, the cost is in the mega-billions of dollars, that it has cost our economy because of Mr. Greenspan's position. Many economists are now looking at growth for 1996 at around 2 percent with the current Federal Reserve policies.

Mr. President, there is another meeting of the Open Market Committee on March 26. In reading the popular press, there is some indication that Mr. Greenspan has kind of leaked out that there could possibly be another cut in interest rates. What, a quarter of a percent? As Mr. Zuckerman says, the last quarter of a percent actually was not a cut at all. It needed to go down by a full percentage point. So, even if Mr. Greenspan reduces interest rates by another quarter of a percent, which he is probably going to do, it does not mean that much.

One last thing. We should also be concerned about Mr. Greenspan's seeming inability to see upcoming recessions, even when he is right in the middle of them. Again, what does the record show?

Alan Greenspan was the Chairman of Gerald Ford's Council of Economic Advisers. I understand that he is the author of the famous WIN button. Those of us who started our political careers about that time remember the button: WIN, Whip Inflation Now. Everybody wore those. President Ford heeded Alan Greenspan's advice as he derailed job-creation measures and our Nation plunged into a recession.

We need to focus on Mr. Greenspan's time as Chairman of the Council of Economic Advisers in 1974 and 1975. It was clearly a time of high inflation, mainly caused by the first oil shock. But it was also a time of sharp recession.

As the Nation was moving into recession, Alan Greenspan was, reportedly favorable to tax increases as a means to fight inflation. He urged President Ford to kill legislation designed to create jobs and stimulate the economy.

A few months later, when the recession was fully in bloom, he changed his mind and wanted tax cuts. But that was too late for many families, as unemployment exploded from 5.4 percent in the summer of 1974, passing 8 percent by June of 1975. I am not saying Alan Greenspan caused the recession of 1974. What I am saying is he was so focused on inflation he could not see it coming, and he proposed just the opposite remedy, and that is what President Ford followed.

More recently, in 1990 and 1991, as Chairman of the Federal Reserve, Alan Greenspan was very slow in reducing interest rates. Last month the Wall Street Journal reported on the just-released Fed transcripts of 1990. Mr. President, the transcripts of Federal Reserve Board meetings are kept secret for 5 years, and then they are released. We just got the transcripts of the meetings back in 1990. On January 24, 1996, the Wall Street Journal had an article by David Wessel, talking about those transcripts. Here is what the article said.

> Newly released transcripts of closed-door deliberations at the Fed show that Mr. Greenspan didn't see a recession unfolding until very late that year.
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> "There are forecasts of thunderstorms and everyone is saying, 'Well, the thunder has occurred and the lightning has occurred and it's raining.' But nobody has stuck his hand out the window," Mr. Greenspan told fellow Fed policymakers on Oct. 2, 1990.
>
> "And at the moment," he added, "it isn't raining. . . . The economy has not yet slipped into a recession."
>
> The recession, the official arbiters at the National Bureau of Economic Research determined much later, began in July 1990, a month before Iraq invaded Kuwait.

And yet, by October, Mr. Greenspan still could not see that we were in a recession.

There is more in the Wall Street Journal article I would like to read, Mr. President, but I see others on the floor who would like to speak. It talks about the meetings that were held in 1990 and 1991, when we were clearly in a recession. Yet, Mr. Greenspan could not see it.

"By December 18," almost 6 months after the recession started, "Mr. Greenspan finally had enough data to conclude that a recession—then nearly 5 months old—had begun." Again, quotes from his minutes.

> "We have severe recessionary pressures," he told the Open Market Committee," but recessions always end.
>
> "At some point," he said confidently, "we're going to come out of this."
>
> He was right, the recession officially ended in March 1991.

Mr. President, I ask unanimous consent this entire January 24, 1996 Wall Street Journal article be printed in the RECORD.

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

[From the Wall Street Journal, Jan. 24, 1996.]

ECONOMY—EVEN THE FED'S GREENSPAN IS FALLIBLE WHEN TRYING TO PREDICT A RECESSION

(By David Wessel)

WASHINGTON.—Federal Reserve Chairman Alan Greenspan, often caricatured as a dour pessimist, didn't see the gathering storm clouds when he peered into his crystal ball in 1990.

Newly released transcripts of closed-door deliberations at the Fed show that Mr. Greenspan didn't see a recession unfolding until very late that year.

"There are forecasts of thunderstorms and everyone is saying, 'Well, the thunder has occurred and the lightning has occurred and it's raining.' But nobody has stuck his hand out the window," Mr. Greenspan told fellow Fed policymakers on Oct. 2, 1990.

"And at the moment," he added, "it isn't raining. . . . The economy has not yet slipped into a recession."

The recession, the official arbiters at the National Bureau of Economic Research determined much later, began in July 1990, a month before Iraq invaded Kuwait.

The Fed cut short-term interest rates one-quarter percentage point in July 1990, explaining the move as a one-time attempt to offset the effects of a credit crunch. But despite concerns expressed inside and outside the Fed about the weakening economy, Mr. Greenspan resisted cutting rates again until Oct. 29, 1990, after Congress and President Bush agreed on a deficit-reduction accord. That quarter-point rate cut was followed by three more of the same size before the end of the year.

At the time, the Fed was criticized by some—and by many in the months that followed—for responding too sluggishly to a deteriorating economy. But in public comments, Mr. Greenspan has been reluctant to confess he erred, given the information available to him at the time.

The transcripts, released yesterday after the customary delay of five years, show that the Fed was contemplating interest rate increases for much of the earlier part of 1990.

By summer, signs that a credit crunch was hurting the economy proliferated. For that reason, Mr. Greenspan persuaded the Fed to cut interest rates by ¼-percentage point. Still, in early July, he told Fed officials that the reluctance of businesses and consumers to borrow and bankers to lend, "which I believe historically would almost always have dumped us into a recession, failed to do so. . . ."

Although other Fed officials were worried about the economy, they didn't anticipate a recession either. "It's clear to me the economy is weaker than as projected," Fed governor David Mullins said in July, "but there are no compelling signs that we are headed for a recession."

At a pivotal meeting on Aug. 21, however, there was growing sentiment for cutting interest rates to stimulate the economy, but also concern about the inflationary pressures created by rising oil prices. With Mr. Greenspan's blessing, the Fed agreed that interest rate cuts were likely soon.

But the chairman, backed by Fed staff economists, continued to resist the notion that the U.S. had entered a recession. "I think there are several things we can stipulate with some degree of certainty," he told the Fed at the Aug. 21 meeting, "namely that those who argue that we are already in a recession . . . are reasonably certain to be wrong.''

They weren't wrong, of course. But Mr. Greenspan argued that there was little the Fed could do to help the economy because everything hinged on oil prices. ''I would suspect at this point,'' the chairman said, ''that the Pentagon has more policymaking clout than we do because it's fairly obvious looking around the world that if oil [prices] go up and oil [production] comes down, that will have profound effects. . . .''

Although Mr. Greenspan had the leeway to cut rates sooner, he waited until Congress approved a deficit-reduction accord in October. Even then, Fed economists remained optimistic about the economy. ''Incoming data . . . have not provided clear-cut indications that we are headed toward even a mild recession,'' chief Fed forecaster Michael Prell told officials in October, three months after the recession had begun.

By mid-November, the Fed staff was losing confidence in its sunny forecast. ''The signals of a downturn still are limited,'' Mr. Prell told officials, ''but there certainly are some now.'' Mr. Mullins, then Fed vice chairman, no longer was mincing words. ''I think we have a recessionary psychology in full bloom,'' he declared.

But even as Mr. Greenspan told Fed officials in a telephone conference call on Dec. 7 that he had just cut short-term interest rates to help stimulate the weak economy, he sounded skeptical that it had slid into recession. New factory orders still weren't showing the typical recession pattern, he argued, though he continued to worry about damage from the credit crunch.

By Dec. 18, Mr. Greenspan finally had enough data to conclude that a recession—then nearly five months old—had begun. ''We have severe recessionary pressures,'' he told the Open Market committee. ''But recessions always end.''

''At some point,'' he said confidently, ''we're going to come out of this.''

He was right. The recession officially ended in March 1991.

Mr. HARKIN. Mr. President, we face another period of high risk for the economy to plunge into recession. Do we want Alan Greenspan, whose main focus has always been on inflation, to be in charge of Federal Reserve policy? I think the answer is clearly no.

There are two vacancies on the Federal Reserve Board. As I said earlier, the President wanted to appoint Felix Rohaytn to one of those positions, making him Vice Chairman of the Board. Mr. Rohaytn is a man with an extremely distinguished career. Most notably, he is credited as the guiding hand that led New York City from the edge of default and economic ruin back to health.

I remember that debate. I was in the House of Representatives at the time. I represented a very rural district from Iowa. I listened to Mr. Rohaytn at the time as he made his case for the New York City bailout, as it was called, and for the Federal Government and for the Congress to assist in that process. It was not in my best interests, representing a rural district, to vote for New York City. In fact, I took some pretty bad political hits for doing so. But I believed it was the right thing to do.

Congress passed it. New York City was able to pay its bills and avoid default. It solved many of its problems with a growth policy initiated by Felix Rohaytn.

He believes in growth. I find it hard to believe that anyone would want to oppose his nomination. This is particularly true when the discussion was to have him as a counterweight to Alan Greenspan's orientation to focus on inflation; to have, as I understand it, with the present one, to have a debate about the policy of the Fed. But opposition from some on the other side of the aisle has, frankly, killed the nomination of Felix Rohaytn.

President Clinton said last Friday that we need a debate within the Federal Reserve to see if the economy can grow faster than the conventional wisdom of a 2.5 percent average, without triggering inflation. We need that debate. That debate will not take place under Alan Greenspan.

The question of taking the Federal Reserve's heavy hand of high interest rates off the throttle of our economy is crucial to the long-term growth of our Nation. But to not even allow an appointment to move forward, of Mr. Rohaytn, so we can engender that debate, start that debate, is absolutely wrong.

As I said in my remarks last week, Mr. Greenspan's feet are firmly planted in the past. Mr. Greenspan's focus is not on average, hard-working Americans. It is not on our families in the middle-income brackets of America. It is not on the manufacturing sector that has to invest and create the kind of climate that will employ people and let wages go up. No, Mr. Greenspan's focus is not there. His focus is some phantom inflation out there, and as long as inflation can be kept at the lowest possible position all is right with the world in Mr. Greenspan's view. But as we have said in the past, Mr. President, it is not just inflation that we have to be concerned about. We have to be concerned about unemployment and economic growth. And Mr. Greenspan is not concerned about either one of those.

So, again, Mr. President, I call upon President Clinton to pick someone else to be Chairman of the Federal Reserve Board, someone who has a concept of growth and what growth will mean to our economy and the incomes of average Americans. We can have a debate this year. I think we will have it. I hope it will happen in the Presidential races. I hope that we have it in all of the Senate and House races which are up this year—about what the proper rate of growth ought to be in this country.

Should it be 2.5 percent? Should it be 2 percent, or can we reasonably expect to grow at a faster rate? I happen to come down on the side of progrowth. I believe our economy has all of the underpinnings to grow at least 3.5 percent a year. I might even make the argument that it can grow faster than that without triggering inflation.

We are truly in a global economy. Markets abroad can send in goods to this country, and even services, to keep any kind of inflation under control and under check. Rising wages will not push up inflation because the rising wages will just barely keep up with the rising productivity of American workers. Our American workers are more productive than ever before. Yet, their wages are not keeping up with their productivity. If we let wages go up a little bit, it will kind of keep up with productivity. That means people have a little bit more money to go out and buy some goods. That means that our economy will grow.

We are not having that debate. We can have that debate. As I said, I hope we do have it in the Presidential races, and I hope we have it in all of our races this year. But if we have an individual in charge of the Federal Reserve who believes that growth cannot be above 2 or 2.5 percent, you can have all of the debates in the world, because the Federal Reserve is independent and they are under Mr. Greenspan's control to throttle down on that economy. We will see a no-growth policy from the Federal Reserve regardless of what we might say in our individual campaigns, or what we in the Senate or the House might want to do in the future.

So, Mr. President, I think it is unfortunate that the debate about the policies of the Fed and about the leadership of the Fed is not undergoing more scrutiny than it is in our news media today. We are all wrapped up, I know, in the New Hampshire primary, and before that in the Iowa caucuses—who is ahead? Who is behind? —and a flat tax, and all the other stuff. Yet, the single most powerful position in America that has to do with our economy, what our future is going to be like, what our kids' future is going to be like, what our incomes and wages and job possibilities are going to be like, no one is talking about it.

Thank God that Mortimer Zuckerman at least wrote an editorial in U.S. News & World Report. You see little about it in the Washington Post and newspapers around the country. Everyone just assumes that Mr. Greenspan is going to be renominated and take the position. I do not make that assumption. And if Mr. Greenspan is in fact renominated by the President, he will come here for hearings.

I intend, if that is the case in the coming weeks, to delve more into Mr. Greenspan's background and his philosophy and what he has done in the past, and why his past actions should warrant a no vote on the Senate floor for his reconfirmation, if in fact the President renominates him.

So I say—not a warning, simply as a statement of fact—that this is one Senator who is not going to allow Mr. Greenspan, if he is renominated, to sail through here without any debate. I intend to make it an issue, and I intend to talk about it and talk about his stewardship and to talk about his no-growth policies, because I think it is that important for our economy and for our country.

Mr. President, I yield the floor.

Mr. LEVIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

EDUCATION

Mr. LEVIN. Mr. President, on January 26 the Congress passed the so-called continuing resolution which temporarily funds the Government through March 15. This was greeted by headlines across the country. The headline that touches this ran in the Washington Post saying that the Congress had approved a funding extension averting the third shutdown of Government.

The focus of the press and media was understandable because, in fact, that continuing resolution did allow us to continue the Government through March 15. But what was not really known to the public and did not become clear until later was that embedded in that continuing resolution was a massive cut in education, hitting programs which I think most of us on a bipartisan basis in this Chamber know work.

There was an effort made to restore those education funds in the continuing resolution. That effort received more than a majority of the votes: 51 of us voted to restore those education funds and 40 of us voted against. But, because of the technicalities of the Budget Act, there had to be a waiver which required 60 votes. So a majority did not rule on that effort to restore these education funds.

When I traveled around my home State of Michigan in these last few weeks, I must tell you I find amazement when the public realizes, I think for the first time, that in that resolution that was passed to keep the Government going until March 15 were historic cuts in education. This was not about cuts in the growth. That is not the issue in this one.

Sometimes there is a debate around here as to whether you are slowing growth or cutting the program. On these education cuts, these are dollar reductions from current spending levels of a historic proportion in programs that most of us I think believe in. I am going to get into some of those cuts in a moment.

But what was truly ironic is that the same day that we were cutting funding for math and science teaching by $1 billion, that we were cutting Pell grants, and School to Work grants, which is a newer form of vocational education, that we were cutting college loan programs and a whole host of other programs including Head Start, the same day that we were cutting education by $3 billion on an annualized basis, we passed a new version of a conference report on defense spending which increased it by $7 billion above the Pentagon request mainly for planes and ships that the Pentagon did not ask for.

So, on the one hand, within hours of each other we cut programs for education, which are critically important, by over $3 billion on an annualized basis and increased defense spending by $7 billion for items that the Pentagon did not request. That is a pretty dramatic juxtaposition, it seems to me, and terrible priorities.

When my people back home found out about this in a whole host of meetings which I held around Michigan, they are truly against what happened and are pleading with me when we come back to try to reverse these cuts, because this is not a done deal. These cuts are cuts in programs through March 15, which, if annualized, lead to a $3 billion cut. They do not have to, and they should not.

When this resolution was presented to us, the chairman of the Appropriations Committee, Senator HATFIELD, said the following. He said:

> I cannot for the life of me understand the action of the House [of Representatives]. I believe it is wrong. It puts the gun to our heads.

He went on to say:

> We have found ourselves in an extraordinary parliamentary situation that requires unanimous consent to take further action. Unable to secure that consent, we have been unable to once again uphold a Senate position or even to have the Senate consider a compromise.

Senator HATFIELD pointed out correctly that the gun is to the Senate's head, which resulted in the passage of a resolution which will have a dramatic negative impact on the funding of education in America. We have to remove that gun from our head before March 15.

We should be here during these few weeks negotiating these issues so that gun is not again put at our head, so that it is removed, and so that we can try to repair the damage that resulted the last time it was placed to our head.

The title I program, which provides crucial help in reading, math, and writing to over a million American children, which I think has the support of the education community across the land, that title I program was cut by $1 billion. That was a 17-percent cut in title I. By the way, one of the ships which was added which was not requested by the Pentagon was slightly less than $1 billion.

The innovative School-to-Work Program was cut by 22 percent. This is a program which helps young people in high school make the transition from school to work. The new part of this program, which was missing in the old vocational education days, is that the business community is working with the high schools to design programs which will prepare young people for real jobs.

I have been to these programs all over the State of Michigan. I have been in a number of places where businesspeople at a meeting with students are telling the students, "When you complete this program, when you achieve these skills that you are going to get in these school-to-work programs in your high school, we guarantee you a job."

I never remember anything like that happening when I was in high school in the vocational education days of yore, when the business community was deeply involved in a partnership with the schools and was so confident that the skills which would be provided to students would be useful to them that they would sit in a room—in one case with 50 students—and tell every one of them, "If you graduate from this program, you've got a job with our company." That program, that innovative School-to-Work Program, was cut by 22 percent.

These are not 2- and 3-percent cuts across the board to help us reduce the deficit. These are massive reductions in programs that are working. It is a 22-percent reduction in School-to-Work money.

Head Start was cut. In higher education, Pell grants were cut by 7 percent. The Perkins Loan Program was cut by 25 percent. State student incentive grants were cut by 25 percent. Again, I emphasize these are not just slowdowns in the rate of growth; these are actual reductions from the level of funding in the last year.

I know there are some candidates out there who have recently discovered that middle-income Americans are in the middle of a long-term economic squeeze. As the Senator from Iowa said, middle America's income has dropped over the last 20 years in real terms after inflation and after taxes. There is a real squeeze that has been going on for a long time.

The fact that some folks out there are discovering it for the first time is not the point of my remarks this morning. What is the point of my remarks this morning is that I am glad they have finally discovered it and that one of the ways to address it is through education.

We know that there is a clear relationship between the educational achievement of people in general and their incomes. As a matter of fact, the relationship between education, training, and income is clearer than ever and more dramatic than ever. The gap between a lack of education and income is greater than ever. In the last 15 years, the difference in pay between college-educated workers and those with a high school education has just about doubled. There has always been a difference, but that difference in just a 15-year period has about doubled.

So we know what education can do. We know what training can do in terms of income. We know we face an income squeeze. So what is the response of this Congress? A significant reduction in education programs that are working.

Head Start is working. This is not a program that has failed. This is a program that has produced demonstrable achievement across the country. The surveys of Head Start programs show that people who graduate, these 3- and 4-year-olds who are in Head Start, 10