

minerals extracted from Federal land. Estimated savings: \$300 million over 5 years.

Eliminate the subsidy for the Tennessee Valley Authority [TVA]: TVA receives \$106 million each year in a direct Federal subsidy. In this era of power deregulation and deficit reduction, the Government can no longer afford to subsidize the TVA in this way. Even TVA's chairman, Craven Crowell, has said that his agency can make due without its annual appropriation. Estimated savings: \$500 million over 5 years.

Reform irrigation subsidies: Under current law, USDA gives farmers—often large agribusiness—Freedom to Farm payments along with irrigation subsidies for the same crops on the same land. My bill would end this double dipping by requiring recipients to pay for irrigation costs if they are already receiving Freedom to Farm subsidies. Estimated savings: \$500 million—\$1 billion over 5 years.

Eliminate the Tobacco Program: The Federal Government aids producers of tobacco through a combination of marketing quotas, price-supporting loans, and restrictions on imports. Tobacco is the sixth largest cash crop in the country and most of the price-supports and marketing quotas benefit huge companies like Phillip Morris and RJR Nabisco. Estimated savings: \$200 million over 5 years.

Eliminate the Advanced Technology Program [ATP]: ATP gives away nearly half a billion dollars a year in research and development grants to huge high-technology firms like Caterpillar, General Electric, and Xerox to help develop new products. These companies are very well financed and should be using their own money for R&D. Estimated savings: \$1.1 billion over 5 years.

Reform process for developing timber roads in national forests: Timber companies profit tremendously from the use of roads in national forest lands, but they pay virtually none of the cost of building them. My bill would stop subsidizing the construction of roads which are mainly used by timber companies go gain access to timber. Estimated savings: \$250 million over 5 years.

Reform the U.S. role in the General Arrangements to Borrow: The General Arrangements to Borrow [GAB], part of the International Monetary Fund [IMF], are intended to prevent any future internal monetary crisis caused by developing countries that are unable to pay their bills. We are bailing out these countries—and the banks that support them—despite the fact that they have enough capital to spend vast amounts of money on money-losing State-sponsored industries, huge bureaucracies, and large militaries. My bill would prevent increased U.S. participation in the GAB. Estimated savings: \$3.5 billion over 5 years.

End special tax treatment of alcohol fuels: Manufacturers of gasohol, a motor fuel composed of 10 percent alcohol, received a tax subsidy of 54 cents per gallon of alcohol used. Archer-Daniels-Midland—which produces most of the country's gasohol—has made billions of dollars from this tax break. These subsidies have a dubious balance of public versus private benefits, and they are an inefficient use of our energy resources. Estimated savings: \$2.4 billion over 5 years.

Eliminate the Foreign Sales Corporation [FSC] tax break: The Tax Code's FSC provisions permit U.S. exporters to exempt 15 percent of their export income from U.S. taxation.

This encourages U.S. companies to form subsidiary corporations in a foreign country—which can just be a mailing address—to qualify as an FSC. A portion of the FSC's own export income is exempt from taxes, and the FSC can pass on the tax savings to its parent company because domestic corporations are allowed a 100-percent dividends-received deduction for income distribution from an FSC. Estimated savings: \$7.5 billion over 5 years.

Eliminate the "title passage" tax break: Companies can treat sales income as foreign source income—therefore realizing a tax break—by passing title to the property sold offshore even though the sales activity may have taken place in the United States. The title passage rule allows a company with excess foreign tax credits to classify more of its income as foreign source, then the company receives an implicit tax subsidy. My bill would put an end to this practice by closing this tax loophole. Estimated savings: \$16.6 billion over 5 years.

Total estimated savings: \$35.3 billion over 5 years.

Deficit reduction lock box: This bill includes a deficit reduction lockbox to ensure that all savings/revenue go directly toward deficit reduction and are not used to finance other programs.

CENTENNIAL OF THE INDIANA OPTOMETRIC ASSOCIATION

HON. TIM ROEMER

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 15, 1997

Mr. ROEMER. Mr. Speaker, I rise today to recognize the 100th anniversary of the Indiana Optometric Association. I want to join my colleagues here and in the Senate and House of Representatives in Indiana in commemorating this event. Following is the text of the Concurrent resolution adopted by the 110th general assembly of the State of Indiana:

"Whereas, the Indiana Optometric Association (IOA) was founded in 1897 and will be celebrating its Centennial Anniversary during the year 1997, and

"Whereas, the IOA is marking 100 years of successful advocacy for the profession of optometry in Indiana, and

"Whereas, the IOA has provided 100 years of service the public interest on behalf of the eye care and eye health of Indiana's citizens, and

"Whereas, the IOA was instrumental in the decision of the Indiana General Assembly that established the Indiana University School of Optometry in the early 1950's, and has forged an ongoing professional relationship with the School of Optometry that is a national model, and

"Whereas, the IOA commends the Indiana General Assembly for its continuing support of the profession of optometry and the patients it serves, and

"Whereas, the IOA has historically distinguished itself as an exemplary professional optometric association in the United States, and

"Whereas, the IOA rededicates itself and the profession of optometry to serving the eye health and vision care needs of the citizens of the State of Indiana for the next 100 years,

"Be it resolved by the Senate of the General Assembly of the State of Indiana, the House of Representatives concurring:

"Section 1. That, on behalf of the people of the State of Indiana, we extend our sincere appreciation to IOA for its dedicated service to the people of the State of Indiana and the profession of optometry.

"Section 2. That the Secretary of the Senate is directed to transmit a copy of this resolution to the Indiana Optometric Association."

Mr. Speaker, it is my sincere pleasure to join my colleagues at the State house in saluting the Indiana Optometric Association. The dedication to the health of our fellow Hoosiers and to the education of future optometrists bring honor to the Indiana Optometric Association. They deserve to be suitably proud of this landmark in their existence.

100TH ANNIVERSARY OF THE UNITARIAN CHURCH OF MONTCLAIR

HON. BILL PASCRELL, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 15, 1997

Mr. PASCRELL. Mr. Speaker, I would like to bring to your attention the momentous occasion of the 100th anniversary of the Unitarian Church of Montclair, NJ.

The church dates from February 1897, when a few women gathered to consider the feasibility of forming a Unitarian Society. Having a church school for their children was of their greatest concern, and therefore the women began preparing themselves as teachers. In 1898, the church's first minister, the Rev. Arthur Grant, was called, and both the church and the church school were organized. Reverend Grant was succeeded in 1902 by Rev. Leslie Sprague, and it was during his ministry that the church was built on its present site.

In 1906, the Rev. Edgar Swan Wiers was called and continued as minister until his death in 1931. During his ministry, and with keen interest from himself and the congregation in the cultural life of the community, Reverend Wiers established a forum series, a Unity Institute, and a concert series which has continuously brought the best available talent to Montclair. Later in Reverend Wiers' ministry, Unity Institute was expanded to include a travel series as well as a chamber music series. Interest in the institute's programs of the performing arts, theatrical, musical, and the fine arts was vast and continued in numerous concerts, plays, monologs, and art shows. From the forum series grew the Collegiate Pulpit.

Dr. Norman Fletcher became the church's minister in 1932 and his concern for civil rights, as well as his love of English literature and the theater was evident. During the years of World War I, the church's women's alliance was very active in several war projects. The women's alliance continued with its concern for the people as well as its support for the church through projects such as fairs and rummage sales.

Throughout the 1950's, church membership soared with scores of chairs being placed in the church's aisles to accommodate the growing congregation. This remarkable increase in members led to numerous discussions concerning the need for a new church. The

church school, with close to 500 members, outgrew the basement classrooms and the public library located next door was bought from the township for church use.

In 1970, Dr. George J.W. Pennington was appointed as an associate minister, and in 1972, upon the retirement of Dr. Fletcher, who had become minister emeritus, Dr. Pennington became a full minister. With a second profession as a clinical psychologist, Dr. Pennington managed to increase the amount of counseling work done and also lent a psychological tone to many of his sermons. As with the times, the church became less formal, and in March 1982, Dr. Pennington resigned.

The Rev. Lee Barker was called to the ministry of the church in 1983 and had been with the church until June 1994. His ministry was distinguished by a growth of membership and a continuing commitment to community outreach.

Called to the pulpit in April 1995, the Reverend Charles Blustein Ortman became the seventh minister of the church on November 4, 1995. Reverend Ortman continues to serve as minister and, along with the church's congregation, is looking forward to the centennial anniversary of the Unitarian Church of Montclair.

Mr. Speaker, I ask that you join me, our colleagues, Reverend Ortman, members of the congregation, and the township of Montclair, in recognizing the outstanding and invaluable service to the community and the 100th anniversary of the Unitarian Church of Montclair.

THE FEDERAL RESERVE IS WRONG

HON. BARNEY FRANK

OF MASSACHUSETTS
IN THE HOUSE OF REPRESENTATIVES
Tuesday, April 15, 1997

Mr. FRANK of Massachusetts. Mr. Speaker, I have voiced my strong disagreement with the recent decision by the Federal Reserve to raise interest rates on the floor of the House. Recently I saw an article in the April 21 issue of *The New Republic* which makes the case in a cogent way that Mr. Greenspan was mistaken, and that his mistake will be damaging to our economy. Similarly, the *Economic Scene* column by Peter Passell in the April 10 issue of the *New York Times* does a good job describing the downside of the Fed's decision to clamp down on economic growth. I am inserting both articles here:

[From the *New Republic*, Apr. 21, 1997]

FED ACCOMPLI

Last week the Federal Reserve ended a five-year experiment: How many people can the nation put to work without triggering inflation? The results are fiercely contested, their ramifications enormous. Everybody wants unemployment to be as low as possible, but nobody knows for sure how low that is. Growth optimists believe unemployment can fall much lower than the current 5.3 percent without fueling inflation. Inflation hawks, led by Fed Chairman Alan Greenspan, don't.

But the debate is academic, because monetary policy isn't set by public debates and majority votes, it's set by Alan Greenspan. And Greenspan is sure that the current high levels of economic growth and employment will soon cause a spiral of higher prices. So he raised interest rates last week and ap-

pears likely to do so again, effectively ensuring that unemployment will not drop any lower than it is today. Given the data of the last two years, data that, despite endless scrutiny, shows not the slightest hint of creeping inflation, we wish the chairman were a little less certain.

Both Greenspan and his critics agree that prices hinge upon a balance of power between employers and employees. When joblessness drops, the value of labor rises. Employers raise salaries and pass the cost on to consumers. These higher prices cause other workers to demand raises. Such an inflationary spiral can only be stopped if the Federal Reserve slows the economy, making everybody worse off. The big question is how low unemployment can drop before an inflationary spiral begins. Conventional economists have long held that inflation would start to mount if unemployment fell below 6 percent. But the current economic expansion, which began in 1992, has brought unemployment down to 5.3 percent without a trace of rising inflation. For inflation hawks like Greenspan, this state of affairs can't go on.

The growth optimists, with varying levels of plausibility, suggest another story. They believe the economy has entered a new era, capable of sustaining lower unemployment than before. Why have the rules changed? There are several reasons:

Globalization. International competition makes it harder for American companies to raise the cost of their goods, lest foreign firms undercut them. It has also made workers less secure about their future and hence more timid in demanding raises. (Polls of employee confidence support this notion.)

Computers have increased productivity. This is the pivotal point. Productivity ultimately determines wages. If wages are rising just because employees have more leverage, then the boss has to raise prices. But if workers are producing more, then employers can pay for a wage increase out of profits instead of passing the cost on to consumers. The latter scenario seems to be the case. Productivity rose 1.5 percent last year, while real wages rose by just 0.6 percent. The share of the economy going to corporate profits is up a full percentage point from the peak of the last business cycle. This suggests that firms can pay their employees more without hiking prices.

Bad statistics. Most (though not all) economists believe the government has been overestimating inflation for years. That means we have less to worry about than Greenspan thinks. (Greenspan, interestingly, adheres to this theory himself, although he has of yet failed to reconcile it with his inflationary paranoia.)

Hard data to support the new era hypotheses remains sketchy. So far, however, the story checks out. And, even if it's wrong, failure entails nothing more than slightly higher prices and a future interest rate hike. At its current level, inflation appears unlikely to spiral out of control. A little inflation hurts, of course, but it doesn't really start to bite until it hits the mid-to-upper single digits. As MIT economist Paul Krugman wrote recently in *The Economist*, "3 percent inflation does much less than one-third as much harm as 9 percent."

One other recent even has strengthened the case for experimentation: welfare reform. If the government demands that all citizens who can work do work, it cannot simultaneously enforce Greenspan's explicitly anti-employment program. Or, at least, it should not do so without first attempting an alternative. The alternative—an effort to see whether we can successfully push unemployment below 5 percent, and perhaps improve the lives of millions in the American underclass in the process—may prove a pipe

dream. But the benefits of success outweigh the costs of failure. And we'll never know unless the Federal Reserve chairman opens himself to the possibility that he is wrong.

[From the *New York Times*, Apr. 10, 1997]

(By Peter Passell)

The latest labor market numbers have been widely greeted as fresh evidence that the Federal Reserve chairman, Alan Greenspan, has a direct line to the Oracle of Delphi. With data suggesting that the demand for workers is growing more rapidly than the working-age population, the Fed's preemptive strike against inflation last month seems to be one more sign that the Fed remains ahead of the game.

But not quite everyone is convinced that Mr. Greenspan's latest prognostication—or for that matter, the unbroken economic expansion since 1991—proves that he has all the answers. For while a recession-free six years may have marginalized his critics, it has not really established that the Fed has found a golden mean between stable prices and economic growth.

For that exquisite balance, if it exists at all, depends as much on value judgments as technocratic insight. "Where was it written," asks Robert M. Solow of M.I.T., a Nobel laureate in economics, "that absolute security against inflation is worth sacrificing unknown quantities of national income?"

Moreover, this seems a particularly unfortunate moment to choose to err on the side of fighting inflation at the expense of higher unemployment—and without even a whimper of debate. To make welfare reform work, there have to be jobs for those pushed off the rolls. Yet without tight labor markets, business will have little incentive to invest in the training needed to bring marginally competent workers into the mainstream.

No one disputes that Admiral Greenspan has kept the economy on an even keel since the recession of 1990-91. His performance seems all the more impressive when compared with that of German, French and Japanese policy makers, who have not been able to spring their economies from the doldrums. Today, unemployment is at 5.2 percent and the economy is growing at an annual rate well above 3 percent.

Indeed, even his critics are quick to praise Mr. Greenspan for flexibility in recent years, keeping interest rates steady as unemployment dipped below the level experience suggested would fuel wage-led inflation. "He deserves a lot of credit" for holding the line long after traditional conservatives were calling for a tougher stance, argues James Tobin of Yale, another Nobel laureate.

By the same token, most economists see the quarter-point interest rate increase last month as a sign of Mr. Greenspan's enlightened pragmatism and the best way to avoid a future recession brought on by painfully high interest rates. "By tightening a little now," suggests William Dudley of Goldman, Sachs, "he makes it less likely he'll have to tighten a lot later."

So what's left to argue about? Plenty. Mr. Tobin says that inflation is simply not a clear and present danger. A close reading of other bellwether statistics—notably the proportion of the newly unemployed who were dismissed and the index of labor demand based on help-wanted ads—is surprisingly benign. "The risks of inflation seem no greater today," he concludes, "than when unemployment was up at 6 percent."

For his part, Mr. Solow is unconvinced by the conventional wisdom that gradualism works best. Small increases in interest rates early on—the pre-emptive strike—may seem less traumatic. But by Mr. Solow's reading of the evidence, larger increases once signs