expect too much. When we see failures in the military such as evidence of sexual harassment at Aberdeen or in the Tailhook episode, the cultural gap may grow wider unless parties on all sides are careful in their judgments. When issues such as these arise, some within the military react by criticizing civilian society for imposing too much on the military, while some outside conclude that military culture itself is flawed. Both are wrong. Yes, I think there are failures within the military, but I also believe that the military can be counted on to identify and correct its failures. No, I do not think that the military can be exempted from advancing social norms, including requirements for sexual and racial equality, nor do I think that the military is identical to civilian society. Within the Congress, we have a special responsibility to take care of the military personnel from whom we ask so much. We are responsible under our Constitution to make rules for the Government and regulation of the land and naval forces. It is incumbent upon us therefore not to allow the gap between military and civil society to grow into a gulf.

Mr. Speaker, over the past 2 weeks I have delivered three speeches on the future of the U.S. military. In each of these statements, I have called attention to the fact that Congress has often failed in its responsibility to provide for the common defense.

I have said that I fear we are again embarked on a course which will leave our forces ill-prepared for challenges to come. More than that, I have argued that failure to maintain military strength will encourage the evolution of new international threats in the future that otherwise would not arise to challenge our security.

This is a strong message. It is a sincere message. It is one that, I expect, some of my colleagues will find difficult to accept. I have tried to state it carefully and to explain my reasoning and to use good facts and figures to support my conclusions. Sometimes, however, an argument such as this needs something stronger. I am reminded in this regard of a passage in Gen. Douglas MacArthur's autobiography entitled ''Reminiscences,'' in which MacArthur discussed a meeting he had with President Roosevelt in the late 1930's. At the time, MacArthur was Army Chief of Staff, and he was meeting with the President, along with the Secretary of War, to make an appeal for more defense spending.

Secretary Dern, wrote MacArthur, quietly explained the deteriorating international situation and appealed to the President not to economize on the military. Roosevelt, however, was unmoved and reacted to Dern with biting sarcasm. Then MacArthur joined the argument, which became more and more heated. Here is how MacArthur describes what followed:

> In my emotional exhaustion, I spoke recklessly and said something to the general effect that when we lost the next war, and an American boy, lying in the mud with an enemy bayonet through his belly and an enemy foot on his dying throat, spat out his last curse, I wanted the name not to be MacArthur but Roosevelt. The President grew livid. You must not talk that way to the President, he roared. He was, of course, right, and I knew it almost before the words had left my mouth. I said I was sorry and apologized. But I felt my Army career was at an end. I told him he had my resignation as Chief of Staff. As I reached the door his voice came with that cool detachment which so reflected his extraordinary self-control' ''Don't be foolish, Douglas; you and the budget must get together on this.'' Neither the President nor I ever spoke of the meeting, but from that time on he was on our side.

Mr. Speaker, I hope that this Congress will not require an appeal like MacArthur's to remember the lessons of the past, that the price of unpreparedness is paid in war. The price of peace is much less.

Let us, therefore, treasure those Americans who wear the uniform of our country. Let us appreciate them, encourage them, and care for them. For after all, it is they who bear the burdens of defending that precious American virtue: freedom.

MONETARY POLICY OF THE UNITED STATES

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Massachusetts [Mr. FRANK] is recognized for 60 minutes.

Mr. FRANK of Massachusetts. I am encouraged, Mr. Speaker, by articles that appeared in the financial sections of the Washington Post and the New York Times over the past few days and, in particular, by a speech given by Chairman Alan Greenspan to see that we are now having a genuine debate, thoughtful, on the merits, about the monetary policy of the United States.

Chairman Greenspan, to his credit, in a speech he gave on May 8, last Thursday to the business school at NYU, acknowledged that the recent decision by the Federal Open Market Committee to raise interest rates by a quarter percent had generated what he called more than the usual share of attention and criticism.

□ 1245

And he went on to say, I believe the critics deserve a response. I mean quite sincerely to welcome this, because what Chairman Greenspan then proceeded to give was a response, reasoned, on the merits, imputing no ill motives to anyone. I would hope we could continue this debate and I would hope we could continue it in the way in which I think it has been carried on.

This is a serious policy disagreement about very important issues. I regard Alan Greenspan as one of the great public servants of our time, a man who has devoted himself to the difficult, challenging and, from his standpoint, not terribly financially rewarding position of Chairman of the Federal Reserve, as he has performed in public positions before.

I disagree with much of what he is doing, but I recognize his motivation as a genuine desire to do best for the economy. And I honor him for his willingness to conduct the debate. Indeed, I wish some of Mr. Greenspan's defenders shared Mr. Greenspan's commitment to a public debate.

One thing I must say I regret, Mr. Speaker, is that we are having this discussion in a somewhat artificial fashion. I and others take the floor of Congress to voice our criticisms of what the Federal Reserve has done. The Democratic leader, the gentleman from Missouri, convened a press conference a few weeks ago in which several Members of this body and the other body spoke out on our views. Letters have gone back and forth.

The one thing we have not had is a forum in which Chairman Greenspan and other members of the Federal Reserve System can speak out, be challenged and questioned and, in some cases, affirmed by Members of Congress; a forum in which people in the organized labor community, the AFL-CIO, and the business community, the Chamber of Commerce and the National Association of Manufacturers, all three of those organizations have differed with Chairman Greenspan, a forum in which they could voice their criticisms or their agreement; others could do that.

This is a situation which cries out for a hearing by the Congress. Unfortunately, the chairman of the House Committee on Banking and Financial Services has told us essentially that he does not share the view that the current debate over whether or not the Federal Reserve ought to continue trying to slow down the economy is a suitable one for the Congress to engage in at this time.

A few weeks ago, joined by the gentleman from New York [Mr. LAFALCE], I sent a letter which was signed by all but one of the Democratic and Independent members of the Committee on Banking and Financial Services, and the one who did not sign at the time has since indicated his agreement with us. So the 26 combined Democratic and Independent members of the Committee on Banking and Financial Services have asked the chairman to have a hearing on this subject.

The Committee on Banking and Financial Services, under the rules of the House, has jurisdiction over the Federal Reserve. We have not proposed legislation at this point. We asked for the kind of debate we have been trying to have, which Chairman Greenspan, to his credit, participated in last May, which, also to his credit, Laurance Meyer, one of the members of the Board of Governors of the Fed engaged in on April 24.

So rather than them making speeches and us then answering the speeches, nowhere near each other, we asked this be done in a forum, a congressional hearing. The chairman of the committee wrote back and said that he thought this would be tampering with the independence of the Federal Reserve System and second-guessing them.

He is wrong, Mr. Speaker. He is, I understand, thinking that he is protecting the Fed, but I think we ought to be clear. It seems to me he is protecting people who need not that sort of protection.

Alan Greenspan and Laurance Meyer and the other members of the Federal Reserve System are not hypertense, frail, intellectually challenged individuals who are unable to defend themselves in a public forum. Indeed, as Mr. Greenspan and Mr. Meyer pointed out, their viewpoint is served well by a chance to argue.

The worst situation is the one we have had in the past, in which the Federal Reserve issues pronouncements and the rest of us are simply supposed to meekly acquiesce to them.

Indeed, the newspapers bear some of the responsibility here. I was pleased in the past couple of months to see the newspapers, particularly in the financial pages, breaking out of what seemed to me to be an inappropriate kind of situation in which genuine debate about monetary policy was somehow discouraged.

Members of Congress are encouraged to debate war and peace and unemployment and environmental protection and civil liberties, but when it comes to discussing what is the appropriate trade-off between fear of inflation and desire to reduce unemployment, somehow that was not considered fit for debate. To voice one's disagreement with decisions of the Federal Reserve, that was considered Fed bashing.

Indeed, the President of the United States is criticized, these days all Presidents are criticized by the press for almost anything, but the Washington Post criticized President Clinton, it seemed to me, last week because he gave a speech in the rain. And the Washington Post seemed to think there was something unseemly about giving a speech in the rain in a rain forest.

But there was one exception. Presidents who in the past, or members of their administration, who have dared to express disagreement with the Federal Reserve Board have been criticized by the press, ironically, for speaking out on an issue. This is the one issue where Presidents are supposed to not say anything. It is the issue where the press attacks them if they do not duck, and I think that is wrong. I think we have seen clear evidence that that was wrong.

By the way, 10 years ago the Federal Reserve used to have a meeting of the Federal Open Market Committee, decide to raise interest rates and then not tell anybody officially for some time. The markets and everybody else were left to guess for weeks whether that happened. Minutes were never published.

The former chairman of the House Committee on Banking and Financial Services, the gentleman from Texas [Mr. GONZALEZ], led a crusade for years against those practices. He said, no, they were being unduly secretive.

The gentleman from Texas was told by the guardians of the Federal Reserve, the people who would protect the Federal Reserve from general democratic debate, that, ''Oh, no, you must not say that, you must not do that, you must not interfere with this secrecy. You are breaching the wall and, oh, terrible things will happen.''

Well, in tribute to the persistence of the gentleman from Texas, and also I believe to the intellectual force of his arguments that fundamental economic decisions in a democracy ought not to be so secretly made and so protected from discussion, the Federal Reserve relented. We now get announcements on the same day of their decision, and we get minutes published with some time lag, and none of the negative effects predicted by the critics of those moves have taken effect.

We can go back, as staff of the minority on the House Committee on Banking and Financial Services has done, and compile the list of comments people made at the time about how disruptive it would be to have this publicity. They were all wrong. The publicity has been good. It has been useful and it has been healthy.

So I want to return to the question of the chairman of the Committee on Banking and Financial Services and urge him to reconsider; 26 of the 56 members of the Committee on Banking and Financial Services have asked him now for a hearing. There are constraints against members of one party trying to push a chairman into doing something of their own party.

I have spoken to several Republican Members who, I believe, want there to be hearings. A couple of them, I hope, will succeed in prodding the chairman into it. One or two were afraid to be seen as unduly pushing. We should have had that hearing a couple of weeks ago.

There has been an interesting debate. There have been speeches on April 24 by Mr. Meyer, and Mr. Greenspan on May 8; a press conference that we have had here. There is interesting and genuine intellectual disagreement, and factual questions, and questions of what the statute ought to be and how to interpret it. They are very important. The single most important economic decisions being made this year-to-date have been made by the Federal Reserve.

Maybe there will be a budget deal of great proportions and that may become a single more important factor, but the Federal Reserve is making very important economic decisions and they are going undebated in Congress in the kind of structured way that ought to be the crowning glory of a democracy in which there is give and take and back and forth.

People could be watching on C–SPAN the members of the Federal Reserve and Members of Congress who agree and disagree debate the question of whether or not there is a fixed rate of unemployment below which we get inflation; whether or not there have been genuine productivity increases in the economy sufficient so that we can now get more employment at a lower inflation rate. All of those issues need to be talked about. Whether or not, if we are not months and months ahead of the slightest outbreak of inflation, we will somehow lose control of the situation.

All of those should be debated, and the chairman or the Committee on Banking and Financial Services mistakenly says no, that is second-guessing the Fed and tampering with its independence. He did in his letter to us acknowledge that we could have a hearing in July. He pointed out the statute requires that. That was no concession on his part.

Well, the Federal Open Market Committee will meet next week. We do not know what they are going to do. Fortunately, thanks to the gentleman from Texas, who worked so hard on this, we will know the day they do it what they did, but we will not have had any structured discussion about the pros and cons and what the elected officials think and what the public thinks before that.

And then there is going to be another meeting in July and, according to the chairman's timetable, there will be two meetings of the Federal Open Market Committee before we again deal with it. But what if they raise again next week? Do we still sit and not debate this in Congress? What if they do not? Would it not be helpful for them to have a forum to say, look, here is why we think things are looking better?

So I welcome the fact we are now having debate. And I started to say before I am glad the newspapers have joined in. I, myself, have been pleased to have had a chance to talk to the financial pages of The Washington Post and the Boston Globe on this subject, while others who have disagreed with me were quoted.

The New York Times, I must say, Mr. Speaker, has been a little laggard here. We had the press conference, which I thought was somewhat interesting, with the Democratic leader and former Democratic Presidential candidate, the Senator from Iowa, and some others, very thoughtful spokesmen on economic issues, the senior Senator from North Dakota, the gentleman from New York [Mr. HINCHEY], myself, and the junior Senator from Rhode Island, and the New York Times did not appear to quote a word of any of our criticisms of the decision to raise the rates until the chairman decided he wanted to respond.

It was interesting. We will find reference to our criticisms of the Federal Reserve's decision to raise rates in the New York Times on Friday and Saturday. It was never independently reported, as nearly as I can see, but when

Mr. Greenspan decided to respond, then I guess it would have been a little odd to have reported his response to our criticism without at least acknowledging the fact we had made the criticism. But I think the New York Times' attitude there bespeaks this old sense that the Fed and monetary policy are things of great delicacy. The roughness of democratic debate somehow would be fatal to them.

Mr. Greenspan, to his credit, understands that is nonsense, and I hope that the New York Times business pages, having reported the debate now that Mr. Greenspan appears to have given them implicitly the OK to do it, will continue to report the debate even when Mr. Greenspan is not ready for their pronouncements.

I also note it was interesting that once again the defenders came into play. In Saturday's New York Times there is an article, not of a news sort, of an analysis sort, which says that indeed Mr. Greenspan has been far more supportive of jobs and far less willing to restrict growth than some people thought. And there was even a quote from, I think it was Mr. Blinder, a former vice chair of the Fed, in which he said Mr. Greenspan has been more supportive of growth even than he has seemed to be and that his words have indicated.

It reminded me a little bit of the great comment by Mark Twain that the music of Wagner is better than it sounds. Apparently Mr. Greenspan is more progrowth than we can tell from watching him. That is encouraging. But once again that is the kind of issue that we should be debating.

Now, Mr. Speaker, I want to turn to that debate. I wish I did not have to spend all this time debating whether we should have a debate, but again I have to say to some extent the newspapers have been reluctant. It seemed to me the New York Times was reluctant to allow this debate until Mr. Greenspan signaled it could go forward. It was almost as if reporting criticism of him in his absence was, I do not know, sacrilegious. And it is certainly the case that the chairman of the Committee on Banking and Financial Services continues to be resistant to allowing this discussion to go forward.

☐ 1300

Mr. Greenspan, in his speech on May 8, says once again that he acknowledges that there was no sign of inflation. What is interesting is what he says and what he implicitly refutes. The most striking thing to me about this is the difference between the April 24 speech of Mr. Meyer and the May 8 speech of Mr. Greenspan.

For example, Mr. Meyer on April 24 explicitly reaffirms his belief in the existence of the concept known as the NAIRU, the nonaccelerating inflation rate of unemployment. That is a concept which says that there is a number in the unemployment figure which we can go below only if we are prepared to see inflation. If we get unemployment too low, this says, inflation inevitably results. Mr. Meyer is one of the members of the Board of Governors, one of the seven.

Mr. Greenspan told the Committee on Banking and Financial Services when we were last able to talk to him, because it was a hearing that had to be held statutorily, the chairman could not prevent it from happening; Mr. Greenspan said that he did not believe in the NAIRU, he did not believe in that concept, the notion that there was a fairly clear number fixed somewhere. Maybe not a clear but a fixed number which, if you went below it, would cause inflation. Frankly, many of us were pleased to hear him say that because we had thought that the Federal Reserve not only believed in such a concept but for many years, and this is very relevant as we analyze what is happening here, for many years it seemed clear that the Federal Reserve thought 6 percent was the number. It seemed clear that the Federal Reserve, certainly a lot of economists who were supporters of the Fed's approach wrote that 6 percent was the number, and that if we got unemployment down below 6 percent that we would be having serious problems. That, of course, means millions and millions of Americans out of work. I believe 1 percent is 1,360,000. So we are talking about 7 or 8 million people out of work, who are trying to find work, as defined, not counting people who have gotten discouraged and are not even trying.

Then the unemployment rate began to drop, and it dropped to 5.5 percent. And no inflation appeared. This is important. We are not talking about whether or not once we get below the number, we have been lucky not to see any inflation temporarily. The unemployment rate has clearly been significantly below what mainstream Federal Reserve opinion thought was the inflation accelerator for some time and it has not happened.

Finally, it went below 5.5. It went to 5.2. Then it went to 4.9. At 5.2 the Fed jumped in. It did seem clear that that 0.3 percent, at least for Mr. Meyer, was kind of the trigger point. Understand, 0.3 percent of unemployment, and Mr. Meyer in his April 24 speech said that while he would rather not see more unemployment, he did not consider it a bad result if the Fed made the mistake of being tight when it need not be as opposed to the mistake of not being tight when it should have been. He said, an increase in the modest unemployment rate of 0.3 percent, is what I am imputing is what he means, that that was not a bad result although it was not his preferred result. He said many people, implicitly people at the Fed, thought that was a good thing. That is 400,000 people out of work, 418,000 people out of work. That is not a bad thing, that is a terrible thing. That is devastation for perhaps 1 million families. We simply cannot allow that degree of casualness.

Mr. Greenspan tries to repair the damage. Mr. Greenspan implicitly repudiates, it seems to me, much of what Mr. Meyer said. Mr. Greenspan said, ''No, no, no, we are not indifferent to unemployment. I wanted to raise interest rates because I think that is the best way to prevent unemployment.''

I think once again, Mr. Speaker, we have seen why we need to have hearings. Is there or is there not a belief in the concept of the nonaccelerating inflation rate of unemployment? Mr. Greenspan says no; Mr. Meyer says yes. That is perfectly legitimate for members of a board to disagree. What is not legitimate is for the Congress not to be able to have a public debate about this.

But then let me go back to Mr. Greenspan. He does have one strawman in here, Mr. Speaker, and I think in general he does a very fair job of debating this, as I said, accepting the bona fides of the opposition as we accept his; but he says at one point, while he acknowledges that there have been structural changes in the economy which allow us to have more employment, less unemployment, without inflation, he does say, however, ''Our production system and the notion of capacity are far more flexible than they were 10 or 20 years ago.'' That is his concession, or his acknowledgment. I should not say concession; that is his acknowledgment that we can be more productive and therefore have less unemployment without inflation.

But he then goes on to say, ''Nonetheless, any inference that our productive capacity is essentially unlimited is clearly unwarranted.'' Mr. Speaker, that inference is not only unwarranted, it is uninferred. That is an unworthy strawman. No one I know of, and I have been very critical of the decision to raise interest rates and of the Fed's general orientation, and I have worked with a lot of the others who have been critical, no one has come close to suggesting that our productive capacity is unlimited, or even essentially unlimited.

We have said that the evidence is clear that the Fed has been unduly pessimistic, that there are significant structural changes that allow us to do better than we have been doing, and we believe on that basis that the decision to raise by 0.25 percent was a mistake.

Mr. Greenspan says here, more carefully than Mr. Meyer, ''Well, maybe it was a mistake, but if it was, it was a pretty small mistake and it will not have any serious negative consequences.'' That I agree with, if it is the only mistake. But that is part of the question. Have we here confronted the situation in which we have got one 0.25 percent increase, or is this the first of several? And we will be having a meeting again next week and we will have a meeting again in 6 weeks. The problem is that if you read Mr. Meyer's approach, if you believe in a nonaccelerating inflation rate of unemployment, then when the unemployment rate dropped to 4.9 percent, that would argue strongly for a further increase. If you read Mr. Greenspan's approach, there is not the same kind of argument as many in the market believe.

One thing that is relevant here is that in one of the articles, I guess Saturday's New York Times, defending Mr. Greenspan against the accusation that he is a little indifferent to unemployment, one of the people quoted in his defense said people do not realize that he stood up to great pressures within the Federal Reserve system to raise interest rates more.

That is a fair point. Mr. Greenspan is not the entire Federal Reserve. Chairmen are very dominant there, but there are other Governors. There are the presidents of the regional banks, five of whom have a vote, though they are not in any way public officials, but they have a vote on this very important economic question.

That seems to me also a fit subject for a hearing. What is the situation there? Mr. Meyer believes in a NAIRU. Mr. Greenspan does not. The believers in a NAIRU are probably going to be more hawkish, because to them good news is bad news. If you believe in that concept, that there is a nonaccelerating inflation rate of unemployment, then every bit of progress we make in reducing unemployment is bad news. I think we ought to know whether it is that which is motivating people or not.

Take Mr. Greenspan's defenders at their word. They say Mr. Greenspan is himself flexible on this and understands the importance of jobs, but he is under pressure from his colleagues. How much pressure is he under from colleagues who believe in a concept known as the NAIRU whereby progress in getting unemployment down to 4.9 percent argues strongly for an increase even, and this is important, even in the total absence of inflation, not just the absence of inflation currently but in the absence of indicators of inflation, in the absence of increases in the employment cost increase, in commodity prices. That is the point.

Read Mr. Meyer's speech and read Mr. Greenspan's speech. In neither speech do they argue, either one of them, that there were any significant indicators of inflation about to come. Mr. Greenspan does talk about early indicators of tightening in the labor market. But we still have lagging wages.

Indeed, to show how noninflationary things are and to get back to the point of checking up on what people said, just as we had people at the Fed say if you publish the minutes, if you simultaneously announce what the FOMC did, it will be destructive to economic stability. We had an argument about the minimum wage in this Chamber right here in the previous Congress, and many people, the majority leader and others, said if you raise the minimum wage, it will be disastrous for the employment figures of low wage people, and some people said it will be inflationary. Raise the minimum wage and you will have an inflationary effect because it will ripple up through the wage base and it will cause unemployment.

We did raise the minimum wage. What has happened since we raised the minimum wage? Inflation has remained at an extraordinarily low level and unemployment has dropped significantly. According to the figures that I have seen, the one area where there was some increase in wages, other than at the very top where things have been doing pretty well, one area where there was some increase in wages was precisely among the beneficiaries of the minimum wage increase. Raising the minimum wage appears to have worked very, very well. It brought about some increases in income for working people at the low end of the spectrum and it did it without causing any unemployment and without causing any inflation. In fact, simultaneous with the implementation of the minimum wage, we have seen an unprecedented degree of low unemployment without any inflationary impact. The increase in the minimum wage did not cause that, but that was not why we raised the minimum wage. We did not raise the minimum wage to drop unemployment or to hold down inflation. We raised the minimum wage to provide some social justice to hardworking people. The argument was that by doing that, we would be increasing inflation and increasing unemployment, and those who made that argument were wrong. It is now demonstrable, that having raised the minimum wage, we were able to increase social justice, provide money to working people who badly needed it to support their families, and they still cannot support them at a decent level, but they come closer, and we did it without any of those negative consequences.

All of these are relevant. They are relevant because I must say it is clear to anyone who has followed the Federal Reserve that the arguments of the people who are dominant at the Federal Reserve were such that one would have expected the increase in the minimum wage to have had negative effects. Tell people 2 years ago at the Federal Reserve that we were going to raise the minimum wage and get unemployment down to 4.9 percent and have the high growth that we have had, relatively high growth, and they would have guaranteed that there would have been inflation, and they were wrong.

We are all wrong from time to time when we deal with these kinds of uncertainties. I do not cite their being wrong to disqualify them from the debate. I do say this, though: When you have been wrong on a central question, when you have been exceedingly excessively pessimistic about the ability of the economy to grow without inflation and if unemployment had dropped without inflation, then you ought to be more reluctant than they are to repeat their errors, because that is what we are now having. We are having the Federal Reserve raise interest rates and slow down growth based on the same kind of analysis which has been proven wrong in the past.

I do believe, even in Mr. Greenspan's speech, and it is more thoughtful and balanced, I believe, than Mr. Meyer's, there is still an underestimate of the pain of higher unemployment. It is especially the case as we deal with the welfare bill. The welfare bill, with regard to people on AFDC, and in one little noticed part, little noticed as far as the public is concerned, the part that restricts food stamps to single individuals between 18 and 55 to 3 months out of every 3 years, what this does is greatly increase the penalty for being unemployed in this society. Under that welfare bill, people who are not working will find their lives unbearable. There simply will be no honest way they can sustain themselves.

We know that the people on food stamps and the people on AFDC on the whole would be the least likely to get hired. An economy which is not rapidly growing and creating a lot of jobs is not an economy in which the people whose benefits were severely restricted by last year's welfare bill will find work. When the economy drops to 4.9 percent, it is realistic to think about putting these people to work. If it goes back up to 5.5, which I must say I am convinced Mr. Meyer thinks is a NAIRU and which as I read the New York Times apparently a lot of other people at the Federal Reserve thinks is a NAIRU, these are people who think an unemployment rate of 5.2 is a temporary aberration. Again, remember, they did raise the interest rates including Mr. Greenspan. If they thought 5.2 unemployment were sustainable without causing inflation, they would not have raised interest rates. They clearly believe we have got unemployment, at least temporarily, lower than it can be. What they are then doing is saying, ''OK, we'll have to go back up.'' That will reverse our chances of reducing welfare.

The New York Times on Sunday, I think it was, or Saturday, talked about the progress in reducing the welfare rolls. They quoted a study by the President's Council of Economic Advisers, Janet Yellen, herself a former member of the Fed, and the largest single factor contributing to the reduction in welfare rolls was economic growth. Forty percent.

□ 1315

Mr. Speaker, if in fact people at the Fed are right, those who think that Mr. Greenspan has not been hawkish enough, and I would like to have a hearing to know exactly who is who and what is what. You know, they are going to be appointing two new members, the President has appointed two new members, and there will be confirmation hearings, I hope, in the other body.

Interestingly, the last time the other body had confirmation proceedings, when the Senator from Iowa [Mr. HARKIN] tried to have hearings on this subject, have a debate on the floor of the Senate, he was told, as we have been told here in the House, that that was not appropriate.

Well, we have learned from the New York Times' defense of Mr. Greenspan on Saturday there is a disagreement within the Fed. There is pressure in the Fed on Mr. Greenspan to be tougher. There is Mr. Meyer, who believes in a nonaccelerating inflation rate of employment. Should that not be debated? Should we not know what the two new members think about this, on this critical subject?

Mr. Speaker, we still have a very fundamental issue before us. Mr. Greenspan's speech is a justification of a decision to raise interest rates in the total absence of any signs of inflation because the danger of not acting, he says, are too great, and it really comes down to basically we cannot stand this much prosperity, things are too good to be true, although he does acknowledge that there may be reasons for it. A 0.25 percent increase is one thing. A series is another. Whether or not there is a nonaccelerating rate of inflation, a nonaccelerating inflation rate of unemployment, whether or not there have been permanent productivity gains, whether or not the overestimate that some see in the Consumer Price Index in fact means that there is a similar over estimate of inflation. Inflation may be even less if you believe what they say than it is in the economy. What is the balance within the Federal Reserve on this?

And one other question because the implicit justification for raising rates in the absence of any inflation is a little bit of inflation will absolutely spiral out of control. It is the chain reaction theory. We are told that 400,000 more people unemployed is a small price to pay because the alternative would be not choking off inflation way before it appears because once it appears it is too late.

Well, that also ought to be debated. That also ought to be talked about. Once again that is a throwback to an earlier time. All those factors which have retarded inflation logically retard the growth of inflation as well, and those are again issues that this House ought to be debating. What we ought to have is in fact a hearing, and maybe we even ought to bring out a resolution about some of these subjects because the important questions that effect this economy are being decided by the Fed, and they are being decided because of the refusal of the leadership of this House to schedule hearings on it in that kind of very, very restricted fashion.

Mr. Speaker, obviously the chairman of the Committee on Banking and Financial Services has succeeded in holding off a hearing before the next meeting of the Federal Open Market Committee, which will be a week from tomorrow. I urge Members to read Mr. Meyer's speech, read Mr. Greenspan's speech. There is a serious debate going on in this country about what we can and cannot do.

One thing we should understand, if the pessimists at the Federal Reserve are right, what that means is we have grown these past months, maybe years, more quickly than we can sustain. So those who think that we have problems yet to be seriously resolved, those who want to make more progress in absorbing welfare recipients and people on food stamps, understand the implications of what the Federal Reserve is saying, not yet, too soon. We must do this more slowly. There are other implications. We will be back debating trade questions.

We now, I think, have a consensus. Some people try to deny it when we debated NAFTA and GATT. Trade does help some people and hurt others. Even those who believe that overall trade helps the economy, as I do, must acknowledge that there will be hardworking on the whole lower income people in this country who will be hurt by trade, people in the garment and textile industry, people, as was recently documented on the Texas-New Mexico border. There was an article about difficulties in El Paso.

A rational way to go forward, as a Washington Post editorial argued a while ago on behalf of fast track for trade, is to go ahead with trade but to use our resources, particularly the increased wealth that we are gaining, to try to deal with those who are getting hurt. Let us do some compensation. One of the things that the New York Times recently talked about with regard to people from El Paso is the difficulty people have in qualifying for trade adjustment assistance.

Why this difficulty? Why do we make people jump through these hoops? We know people are getting hurt. Why not err on the side of helping people who want to work go to work? Well, the Federal Reserve's decision is again central to this. People who lose their job because of trade are much less likely to find new jobs in an economy in which the central bank believes that there is a nonaccelerating inflation rate of unemployment and who believe that the economy has been growing too fast lately and that what we need is fewer jobs. If you do not have a rapid growth economy, if you do not have significant job creation, then you make difficult obviously the problems of the welfare recipients. You also greatly exacerbate the resistance to trade that people deplore because those who face a loss of jobs in a slow growth economy are not going to be easily persuaded to go ahead with that and allow it to happen in the hopes that they will be retrained and be given new jobs. These are all the kinds of questions we need to deal with.

And the final point has to do with the budget deal. We had a budget deal announced 10 days ago. It appears to have been somewhat disannounced since then. And on Thursday, when it was announced, many of us were extremely critical. On Friday, some of the points on which we were most critical were alleviated. I still believe as I have seen that deal, it is a mistake for reasons I will go into at some other time, but the extra growth that produced a couple hundred billion dollars more revenue was helpful. Actually if we have a few more days like we had 10 days ago, I suppose this economy would be in great shape. We appear to have grown more in a few hours on that one Thursday when we found $225 million over a few years than any Nation has ever grown in history. But once again that was a result of economic growth that at least a substantial number of people in the Federal Reserve think was too rapid.

And here's a paradox. We are told that we can have this budget deal fueled by a level of economic growth, which at least some people in the Federal Reserve think is unsustainably high. Now what are we going to do about that? What is the solution here? Do we have a majority at the Federal Reserve prepared to put on the brakes so we cannot generate the revenues which the Congressional Budget Office is now calling for?

If you read Mr. Greenspan's speech of May 8, maybe; if you read Mr. Meyer's speech of April 24, probably; and once again that is an important subject about which we ought to be having a hearing.

So, Mr. Speaker, I appreciate Mr. Greenspan's willingness to debate the issue. I read his defense of this decision to cut off growth, not cut it off, but slow growth down, and I come away grateful for his willingness to engage in the debate, but unpersuaded because at the core, as in Mr. Meyer's speech, he essentially acknowledges that what we had was a fear that something that is not now happening might happen in the future because they really cannot believe that things can go this well.

Well, they have believed that for some time, and they have been going this well, and I am hoping that we can get Mr. Greenspan and his colleagues to be willing to accept a little victory. But while obviously there is room for decent people of good will to differ about this, there ought not to be room for difference about whether or not this is a subject to be debated in Congress.

And I will close as I began, Mr. Speaker, by welcoming Mr. Greenspan's vigorous and thoughtful and respectful entrance into this debate and by regretting the fact that because the Republican leadership of the House does not appear to me to have enough confidence in the democratic processes, that this debate is going on largely outside of our Chambers.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. YOUNG of Florida). The Chair would re-