

vote, that helps explain as much as anything why those of us who have worked with her in the past and know her think so highly of her and have such a special appreciation of her.

It turns out last year J.L. happened to be traveling outside the country and some constituents of mine, who were close personal friends from my hometown, just happened to run into her. And even in that brief encounter, outside the borders of this country, they were struck by her charm, her intelligence, and her zest for life. It transcends, of course, all barriers.

J.L. has faced more than her share of life's challenges, and as she battles cancer with all the determination that she brought to a number of legislative battles around this place, I want to take time to offer her our prayers of strength.

I am honored to be able to express my thanks for the battles that J.L. has fought, often behind the scenes, often late at night, but all to make our country a better place. She is someone that we can all learn from, particularly her sense of humor and good grace, and I appreciate again the chance to say a few words about her in the time that our friend has taken to honor her.

Mr. UPTON. Mr. Speaker, I thank the gentleman from Texas, and now I want to yield time to my good friend, the gentleman from Virginia [Mr. WOLF].

Mr. WOLF. Mr. Speaker, I appreciate the gentleman's taking this time out.

I was sitting in my office and heard about it and just wanted to come over to pay tribute to J.L., for her career, and thank her for all the good things she has done, and for her friendship over the many years.

I attended the University of Mississippi for a year, and I know J.L. moved up here from Mississippi. In fact, as I remember, when I was at the Department of Interior, working for then-Secretary Morton, I would go around and visit the office of Mr. Colmer, who was then the chairman of the powerful Committee on Rules, and Senator TRENT LOTT was the administrative assistant.

He was a Democrat in those days, a very conservative Democrat, but naturally, I guess, as most of America has, he moved into the Republican Party because of the changes.

But J.L. came here in 1967. I came up here on Capitol Hill in 1968 for a Republican Member and, off and on, had a relationship and would see her at different events. And I just wanted to join the gentleman from Michigan and the other Members in paying special tribute to her and let her know that she will be in my thoughts and my prayers.

And that is not just a throwaway line that we say. I will pray for her healing and that the Lord will give her strength to face this time.

Again, I thank the gentleman for taking this time. And, J.L., it is nice being with you.

Mr. UPTON. Mr. Speaker, I know we just heard that the Speaker of the

House was unable to come this afternoon, but he intends to do a 1-minute on her behalf next week, because he was also very close to J.L.

I want to say a few things before we end our time here this afternoon. Particularly as I look at the gallery and think about the people listening this afternoon, there is an element of Washington that a lot of folks do not understand.

There are very powerful parts of this institution. One is the Committee on Rules, which meets behind those doors to my left. The Committee on Rules really runs this place in lots of ways. Every bill that comes to this House floor has a procedural vote first, and the Committee on Rules dissects those bills. They are the ones that decide what amendments, who will offer them, how long we will debate things, what is the procedure of each piece of major legislation as it hits the House floor.

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J.L., through her role working for then Chairman Colmer, got to know those rules of the House, which are this thick. She knew every I and every T in those rules, and she was one that tried to figure out where the votes were going to come. Because of her expertise, a young man who probably learned a lot of the ropes from her, one of my predecessors, David Stockman, hailed as probably one of the greatest directors of the Office of Management and Budget and who helped run the think tank, the executive branch, for President Reagan, selected her to run that Office of Legislative Affairs.

Again, for people outside of the beltway in many respects, at least until 1981, not a lot of people knew what OMB did, either, sort of like the Committee on Rules, though it is a very intricate part of the way things work; because the Office of Management and Budget decides the battles between all of the different agencies within the executive branch on where the administration stands. They are the ones that give the final recommendation to the President as to whether he should sign a bill or veto a bill. They are the ones that decide whether they support an amendment or oppose an amendment. They are the ones at the table, whether it is the budget agreement which was adopted this week and determining where the President's policy was.

Because of J.L.'s experience of running this House and knowing where all the things were, she was a perfect selection to run that Office of Management and Budget legislative office. And really through her skills, Ronald Reagan, who is certainly going to be hailed as one of the greatest Presidents this country has ever seen, who marshaled an agenda through this House, particularly in the early years of his Presidency when he did not control the House. Republicans were 80, 90 votes down, yet he saw victory after victory after victory. She was the one that helped work the strategy, engineer

those votes so that President Reagan could get the credit and see his program come through.

We look at the people that she worked with, Ken Duberstein, later chief of staff, she taught Ken a lot of things in terms of what went on. Look at some of the Members that are here. I think there are about 50 some Members at least on the Republican side today that were here in 1981 when she left, but as the gentleman from California [Mr. THOMAS] said, if you wanted to know what was going on, you sidled back with J.L., back at the back rail, and she knew everything that was going on.

We look at some of the former staff people that have served in this House and some that serve today: Ron Lasch, Bill Pitts, Martha Morrison, Keith Kennedy in the Senate, Sheila Burke, Jim Whittinghill. Those are the names that Members of Congress often go to to find out what is going on and how they can work an amendment or a bill, and they are the ones we go to when we want some straight advice, to be a straight shooter.

J.L., I think it was the gentleman from Louisiana [Mr. LIVINGSTON] talked about her red wig. Some of us have seen that red wig before. She has tried to battle this chemotherapy and has worn this cheerful red wig. I can remember that same wig a decade or so ago when she came out to Michigan and dressed up as a Raggedy Andy, waving a little sign, "Vote for Fred," standing on street corners and getting people's attention.

She is a great painter. Magnolias. She has a terrific sense of humor. Lots of jokes. And it kept everyone going when we worked sometimes 15, 18, 20 hours a day when I worked with her, when I also worked at the Office of Management and Budget. She got things done and she still is, and that is why so many of us here wish her the best.

REPORT ON ECONOMY FROM CHAIRMAN OF JOINT ECONOMIC COMMITTEE

The SPEAKER pro tempore (Mr. HASTINGS of Washington). Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey [Mr. SAXTON] is recognized for 60 minutes.

Mr. SAXTON. Mr. Speaker, I take this time to talk a little bit about this Nation's economy. I have had the privilege during this 2 years of serving in the House as the chairman of the Joint Economic Committee. The Joint Economic Committee, as all the Members know, is made up of both Members of this House as well as Members of the other house, and it is essentially our job to try and determine what it is that is happening right with the economy, and how the activities that take place from time to time in this House and in the other house and in the administration and in the Federal Reserve, what

kind of influence, both positive and negative, those agencies have on our economy, on job growth, on wage levels and all of the other aspects of economic life in the United States.

I might say that some of these issues are from time to time very difficult to deal with because they have to do with taxes, they have to do with spending, they have to do with interest rates, they have to do with regulations that the Federal Government through our bureaucratic departments promulgates from time to time, and we have learned through studies in the Joint Economic Committee and other places that these issues that we deal with in the U.S. Government have a very direct and sometimes dramatic effect, sometimes positively and sometimes negatively, on our economy and jobs and wage scales and other issues that have to do with job stability and price stability and all of those kinds of things.

What I wanted to talk about today is one little aspect of what we do, not taxes today so much or not spending today so much or not regulation today so much, but something called monetary policy, which really has a very direct effect on every American family because it has to do with how much we pay for money, how high interest rates are and how those interest rates affect our ability to get along, to make a living, to keep a job, to provide for our families, and the Federal Reserve has a very direct role to play with regard to these issues.

The point here that I want to get to today is that the Federal Reserve over the past couple of months has entered upon some new policies which may or may not have a direct, dramatic effect on our economy. But I wanted to share these thoughts with the Members today because, as I said, they may or may not, and I think it is important for us to recognize that in all likelihood they may and probably will.

First let me say that I am not here to criticize the Fed for their past policies. The economy of our country has done very well. As a matter of fact, over the past number of years, as a matter of fact, since the second quarter of 1991, our economy has been getting better. Our economy has been growing through each quarter. We had a recession in 1990, in the first quarter of 1991, and then it started to grow.

Some of us found that a little bit strange because, as those of my colleagues who know me know, I do not think that tax increases help the economy very much. As a matter of fact, I believe quite the opposite, that tax increases like the one that we had in 1990 and like the one that we had in 1993, work to dampen job growth and work to dampen wage increases. Those tax increases take money out of the private sector and give it to us here in Washington, and we spend it much less efficiently than it gets spent and used and invested and saved in the private sector.

So I was a little bit surprised when I began to see economic growth take

place in the early 1990's, because in 1990 we had a big tax increase and the biggest one ever in 1993, and I thought that would serve to dampen the economy and to slow growth. But very much to my surprise, something else happened, and that was that a good friend of ours by the name of Alan Greenspan, who is Chairman of the Federal Reserve, entered upon a program which provided for stable prices.

We call that price stability. Inflation is another word that we sometimes use to describe price stability. Over the past several years, in the decade of the 1990's, price stability has come to mean a great deal to us. It is my job today partly to compliment and thank the Federal Reserve for the policies that they have carried out during the decade of the 1990's, which have in large part offset the negative aspects of the tax increases that we had early in the decade.

So since the second quarter of 1991 the economy has been growing, there have been more jobs, the unemployment rate has been coming down, wages have been stable, one of our weaker points, wages have not gone up like we had hoped, but unemployment has gone down, the gross domestic product has gone up, and the economy has been good, until and including the first quarter of this year when the economy grew by over 4 percent, and that is really good. But aside from the fact that we had economic growth during this period of time, we have also had inflation which has been going down, and this was also something that I think was very desirable.

This chart that I have which is labeled "Inflation" measures inflation, and we have charted it out through the use of a measure called the Consumer Price Index. This is actually the Consumer Price Index, it is called the core CPI, which means it is all of the prices of goods and services that we buy in this country except food and energy, and we took out food and energy because they provide for big shots up and big shots down, and so we took those items out.

But this chart serves very well to show the fine job that Fed policy has done during this decade. We can see very clearly that beginning in 1990 when inflation was relatively high, almost 6 percent a year during some quarters, that it has come down dramatically. It is our belief on the majority side at least of the Joint Economic Committee, that this has been a direct result of Federal Reserve policy in terms of their ability to squeeze inflation out of our economy.

This is very important, because this sets the background for perhaps a change in policy away from this very successful policy that we have had. Because, as my colleagues all know, during the last couple of months there has been more and more talk about the Fed increasing interest rates. We have had a growing economy because of low interest rates. We have had good price

stability because the Fed has squeezed inflation out of the economy through their policies, and many of us would like to see this policy continue. But on March 25, for the first time in a long time, Chairman Greenspan and the other Governors of the Fed chose to enter upon the policy of increasing interest rates, and on March 25 we had a 25 basis point increase in interest rates.

I have another chart here which also demonstrates inflation. It is a very parallel track. This is called the Gross Domestic Product deflator. It shows, again, that inflation is well under control and that we do not have to worry about inflation at least in the short term, and many of us think in the long term as well.

So what the Fed has set out to do, they have been very successful in doing, and that is keeping a good level of lowering and lowering and lowering inflation until we have gotten to a very low level.

And so we began to wonder what the reasons were that the Fed decided to increase interest rates, because the economy is good, inflation is low. Why would anyone want to change that mix? Obviously the Fed's primary objective is and should be to control inflation, as we all know, and so it became a big question that we began to search for the answer to.

□ 1430

We also looked at inflation of commodities. These commodities are those materials that we use in production basically. That may be a slight oversimplification, but once again we can see that during the decade of the 1990's, while commodity prices rose in the middle of the decade, they have sharply dropped here at the end of the decade. And so once again we see no signs of inflation, nothing for us to be all that concerned about.

Here again is another picture of commodity prices since 1990, early 1995, 1996, and 1997. Once again we can see that prices are dropping, and so while the economy is good, prices continue to go down.

Mr. Speaker, it is interesting to point out here that obviously, if we are going to have increases in interest rates, it is going to be more difficult for the economy to continue to do well, and so we searched and searched to try to find out why the Fed might be contemplating on next Tuesday yet another interest rate.

Here are some measures that we look at over the long term to try and determine where inflation is going to go. When people buy bonds, for example, this is the long-term bond interest rate on 30-year Treasury bonds, people who decide to buy bonds and hold them for a long time are obviously very concerned about what interest rates will be in the future, and the long-term bond interest rate, therefore, tends to go up and down depending on the demand for long-term bonds. These interest rates have been consistently low,

and we see no sign here of increase in interest rates over the long term, and so we still have found no evidence of inflation anywhere in the economy.

This is a chart that looks quite different, but it is also an indicator that there is no threat of increases in inflation over the long term. This shows the relative value of the United States dollar, the American dollar, against the German mark, and it is high, meaning that we can buy lots of goods from Germany with fewer dollars than we could otherwise. And so this again is an indicator that we do not see inflation any time in the near future.

And finally, a very similar chart which compares the value of our dollar. I am sorry, I guess I have lost a chart, but in any event we have a chart that looks very similar with regard to the value of the United States dollar against the Japanese yen.

So in all of these instances we saw no evidence that inflation is coming, and so through conversations with people who are familiar with the Federal Reserve we began to ask why is it that we would have increases in the interest rates? Why is it that the Fed is again contemplating on next Tuesday the possibility of yet another interest rate rise?

And one of the answers that we got has to do with our industrial production, and means that as we have the capacity to produce goods in our country our industrial complex could some day get to 100-percent capacity. We do not usually operate; in fact, we never really get to 100-percent capacity, but sometimes we could operate at 60-percent capacity or 70-percent capacity, and obviously when the economy is good, as it is right now, we would operate at a higher capacity.

And what the Fed suggested is that we are operating at a very high capacity relative to our ability to produce goods and services and that this could be inflationary because, as we reach toward full capacity, things get so good that inflation could take place. In other words, we cannot produce enough goods to meet the demand that we have and because of the law of supply and demand inflation takes place because there is too much demand for the few goods that we can produce.

And so we put these lines on charts to see if there is a correlation between this capacity, which is called capacity utilization; that is a big word that economists use that frankly I had to learn a while back. But this blue line represents capacity, and we can see here that back in the late 1980's our capacity was at a very high level, somewhere around 85 or 86, a full percent of full capacity, and we are about back at that level again currently.

Now what happened when we were at full capacity back in the late 1980's was that we saw that we had moderate inflation. But today, being at about 85- or 86-percent capacity, the red line, which represents inflation, has gone down, and so the demand for goods and

the ability to produce goods has not had a direct influence on inflation, and so when we looked at this and found that the Fed was worried about us producing at a very high capacity and that that might be causing inflation, we said we do not think this is the answer either.

And so it leaves one to conclude that the members of the Fed who are concerned about inflation are concerned that because the economy is doing good, that that somehow translates into a coming period of inflation, and frankly we just do not see the evidence to support that notion. We believe that all of the indicators that I showed my colleagues; we believe that the ability to look at long-term bond rates, for example, and see that they are headed even lower, the ability to look at commodity prices and see that they continue to, as of today, go lower.

The ability to look at the rate of inflation itself, which today continues at a very, very low level, does not indicate that we should have any worries about this economy overheating and, therefore, no thoughts or no thoughts which turn into action about raising interest rates which in turn will have the effect of slowing down the economy.

Mr. Speaker, it is almost like saying we cannot have an economy that grows at 4 percent because, if we do, we will have inflation, and therefore we have to increase interest rates to slow down the economy so we will not have inflation, so we will increase interest rates, increase the level of unemployment, et cetera.

We believe that what we should do is to enter upon a continuation of the policies that we have had since the early 1990's which have provided for a price stability, which has translated into lower interest rates, which lower interest rates have provided an incentive for the economy to grow and continue along the path toward prosperity after the turn of the century.

I guess the other thing that is interesting to note here is that throughout the economic history of our country we have very seldom stayed on a growth line for a prolonged period of time. During the 1980's we had a very long period of growth that lasted from about 1983 to about 1990. When we got into a recession there was a 6 or 7-year period of growth, but then we had a major correction in our economy. We have now been in a period of sustained economic growth since the second quarter of 1991, and our fear is that if the Fed raises interest rates yet again on next Tuesday, that a new trend will have set in. After all, they raised interest rates on March 25, it is now May 20 on Tuesday, and if they raise interest rates again, a trend will have been set toward higher interest rates which cannot be good for a continued economic growth and the continuation of our economic expansion.

Obviously, we think economic expansion is good for American families. Ob-

viously, we think that is because wages have just recently begun to increase after this entire decade of stagnant wages. We think that ought to continue. We also think that families should have the opportunity to avail themselves to low interest rates so that they can buy homes and cars, and you know in a sense if the Fed increases interest rates, it is almost like us increasing taxes because it means families have less disposable income. And of course all of that acts to dampen the American economy.

So, as you listen over this weekend to economic reports in anticipation of next Tuesday when the FOMC meets again, as you listen to different opinions, keep in mind that the charts and the data that I have shown you here this afternoon indicates that inflation is well in check, that the economy continues to grow at something above 4 percent, GDP continues to go up by something above 4 percent, that interest rates are relatively low at the moment and, we believe, ought to continue there, but most importantly the Federal Reserve's primary goal in my opinion and in the opinion, I believe, of most economists in this country should be to control inflation, and it is abundantly clear, at least to me, that we are in a period of controlled inflation, of price stability quite unlike most long periods of economic growth that we have seen in the past, and it is my hope and I think the hope of most Americans that we can continue to enjoy this period of economic prosperity and relatively low interest rates.

ADJOURNMENT TO MONDAY, MAY 19, 1997

Mr. SAXTON. Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet at 2 p.m. on Monday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

HOURLY OF MEETING ON TUESDAY, MAY 20, 1997

Mr. SAXTON. Mr. Speaker, I ask unanimous consent that when the House adjourns on Monday, May 19, 1997, it adjourn to meet at 10:30 a.m. on Tuesday, May 20, for morning hour debates.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

HOURLY OF MEETING ON WEDNESDAY, MAY 21, 1997

Mr. SAXTON. Mr. Speaker, I ask unanimous consent that when the House adjourns on Tuesday, May 20, 1997, it adjourn to meet at 9 a.m. on Wednesday, May 21, for the purpose of receiving in this Chamber former Members of Congress.