had better watch these people. They are growing stronger every day and they don't live very far away, as evidenced by these fresh figs from Carthage.''

And, indeed, that great statesman, Cato, the Elder, henceforth closed every speech, every communication, every letter, with the words, ''Carthage must be destroyed!'' I shall close this speech now and perhaps some future ones with the words, ''The line-item veto must be repealed!''

I yield the floor.

Mr. STEVENS. Mr. President, it is always a pleasure to be in the Chamber with the Senator from West Virginia. But mine is a more mundane task right now, and that is to try to get the Senate to understand that this is the process provided by the Line-Item Veto Act. If it is not followed, the defense budget per se and the military construction budget in general will be lowered. If we pass this act and it becomes law, the President still has control over these projects. He has already reprogrammed money for military projects for Bosnia. Next spring we will face another problem of paying for Bosnia. But should we let $450 million go astray here now because of mistakes? I regret that the mistakes were made, but I hope the Senate doesn't make another one. This bill should be overwhelmingly passed to tell the Presidency the line-item veto is a very discrete mechanism and it must be used with care. Above all, its use cannot be based on mistakes.

I ask for the yeas and nays if they have not been ordered.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question, the yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Indiana [Mr. COATS] is necessarily absent.

The result was announced—yeas 69, nays 30, as follows:

[Rollcall Vote No. 287 Leg.]

YEAS—69

Akaka	Collins	Gregg
Allard	Coverdell	Hagel
Baucus	Craig	Harkin
Bennett	D'Amato	Hatch
Biden	DeWine	Helms
Bingaman	Domenici	Hutchison
Bond	Dorgan	Inhofe
Boxer	Enzi	Inouye
Brownback	Faircloth	Jeffords
Burns	Feinstein	Kempthorne
Byrd	Ford	Kennedy
Campbell	Frist	Lautenberg
Chafee	Glenn	Leahy
Cleland	Gorton	Levin
Cochran	Graham	Lott
Lugar	Reed	Smith (NH)
Mack	Reid	Smith (OR)
McConnell	Roberts	Snowe
Mikulski	Rockefeller	Specter
Moseley-Braun	Roth	Stevens
Moynihan	Santorum	Thompson
Murkowski	Sarbanes	Torricelli
Murray	Shelby	Warner

NAYS—30

Abraham	Gramm	Landrieu
Ashcroft	Grams	Lieberman
Breaux	Grassley	McCain
Bryan	Hollings	Nickles
Bumpers	Hutchinson	Robb
Conrad	Johnson	Sessions
Daschle	Kerrey	Thomas
Dodd	Kerry	Thurmond
Durbin	Kohl	Wellstone
Feingold	Kyl	Wyden

NOT VOTING—1

Coats

The bill (S. 1292) was passed, as follows:

S. 1292

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Congress disapproves of cancellations 97–4, 97–5, 97–6, 97–7, 97–8, 97–9, 97–10, 97–11, 97–12, 97–13, 97–14, 97–15, 97–16, 97–17, 97–18, 97–19, 97–20, 97–21, 97–22, 97–23, 97–24, 97–25, 97–26, 97–27, 97–28, 97–29, 97–30, 97–32, 97–33, 97–34, 97–35, 97–36, 97–37, 97–38, 97–39, and 97–40, as transmitted by the President in a special message on October 6, 1997, regarding Public Law 105–45.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader.

ORDER OF PROCEDURE

Mr. LOTT. Mr. President, for the information of all Senators, we will not have any further votes tonight. That was the last vote of the night. We do have additional business we are going to do tonight, and we will have somewhere between two and five votes tomorrow morning. I will work with Senator DASCHLE on the timing of those votes, and we will try to get them all in before the noon hour, which is what we have always said we will try to do on Fridays. We may have fewer than that number of votes, but I think a minimum of two. We could have more than that as we deal with procedural motions with regard to the Department of Defense authorization conference report.

I thank Senator DASCHLE for his efforts to work with us on a number of issues, a number of bills that we think we may be able to get some agreement on or get an understanding of how we will proceed. I particularly thank him for his efforts and for the efforts of Senator HARKIN with regard to the Federal Reserve nominees. Therefore, I have a unanimous consent request to make now.

EXECUTIVE SESSION

NOMINATIONS OF EDWARD M. GRAMLICH, OF VIRGINIA, AND ROGER WALTON FERGUSON, OF MASSACHUSETTS, TO BE MEMBERS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. LOTT. Mr. President, I ask unanimous consent that the Senate now proceed to executive session to consider Executive Calendar Nos. 305 and 306. I further ask unanimous consent that the time on the nominations be limited as follows:

Senator HARKIN in control of 90 minutes;

Senator D'AMATO in control of 30 minutes.

I further ask unanimous consent that immediately following the expiration or yielding back of time, the Senate proceed to vote on the confirmation of each of these nominations; that following the two votes, the President be immediately notified of the Senate's action; and that the Senate then return to legislative session. I understand there will not be a necessity for rollcall votes on these nominees.

The PRESIDING OFFICER. Is there objection?

Mr. DASCHLE. Reserving the right to object, and I will do so only to publicly acknowledge the cooperation of a number of Senators, in particular Senator HARKIN. This has been a matter of great import to him. He has been able to work with us to reach this agreement. He is not on the floor at the moment, but he will be soon. I thank Senator HARKIN and a number of other Senators who have expressed concern.

I am very hopeful, as a result of this agreement, we can finish work on these two important nominations as well.

I thank the majority leader. And I have no objection.

The PRESIDING OFFICER (Mr. CRAIG). Without objection, it is so ordered.

Mr. LOTT. Mr. President, while we wait on the Senators to come to the floor, and so that we can discuss other matters, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. HUTCHINSON). Without objection, it is so ordered.

The clerk will report the two nominations.

The bill clerk read the nominations of Edward M. Gramlich, of Virginia, to be a member of the Board of Governors of the Federal Reserve System, and Roger Walton Ferguson, of Massachusetts, to be a member of the Board of Governors of the Federal Reserve System.

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

The PRESIDING OFFICER. If there is no objection, the time will be deducted equally.

The absence of a quorum is noted.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARKIN. Mr. President, I would like to continue the discussion that I began a few days ago about the monetary policy of the Federal Reserve Board as it pertains to the two nominees that are about to be before the Senate for confirmation. Again, as I said before, I do not take this time in any way to try to keep these two nominees from being on the Board. I have met with both of them. They are fine individuals. I just happen to think, as I will state a little more in depth later, that their economic philosophy and their positions on what the Fed ought to be doing are just too much in line with the present thinking at the Fed. And I think that is going to cost us dearly in the years ahead.

Having said that, I don't intend in any way to try to block their final confirmation. But I wanted to take this time of the Senate to talk a little bit more about the monetary policy of the Fed and what it is doing to this country.

In testimony before the Joint Economic Committee yesterday morning, Mr. Greenspan said he would welcome a debate on whether or not the Federal Reserve should make inflation its sole goal, or whether there should be a balance between lowering unemployment and fighting inflation. Well, I welcome that opportunity. I hope my statements from Monday and today will help begin the debate on this important issue. It is an important issue and it affects every American. It especially affects working Americans and their families. Fed policy—basically the decisions they make—tells every American family how much they are going to have to spend on their car payment or home mortgage payment, or whether or not they are going to be able to put away some money for a college education for their kids. It affects every American family. Yet, we seem to just sort of let monetary go by the way, without ever calling into question the assumptions and reasons behind the decisions of the Fed.

There seems to be this sort of attitude that, well, if the Fed says it, it must be true. What can we do about it? Aren't they independent? Don't they operate independently? That is true. They do. But the Federal Reserve is not a creature of the Constitution. It does not have a constitutional framework in which to operate. The Federal Reserve was set up by Congress; it is a creature of Congress. We represent the people of this country. I don't think Congress ought to be in the position of making monetary policy on a day-to-day basis. Far be it from that. I do believe the Fed ought to have that independence, but I also believe that the Congress ought to exercise judicious oversight over the Federal Reserve and carve out, guide, and direct the Federal Reserve in the area in which we believe it ought to go in setting its monetary policy.

I think the question should be asked, ''How independent really is the Fed?'' Is it not really made up of the major banks of this country and the major lending institutions? How really independent are they? We do have a Board of Governors and, obviously, they are not all bankers. There are economists, people like Mr. Greenspan, and others not in banking. I believe one of the new nominees was an investment banker prior to his coming on the Federal Reserve Board of Governors. You wonder sometimes really how independent they really are. I think the Congress has every right and responsibility to the people of this country to help set the policy and guidance for the Federal Reserve.

Now, much of the Federal Reserve's policies are driven by what I have now come to believe to be a very arcane concept called NAIRU, the nonaccelerating inflationary rate of unemployment. I doubt that one in a million Americans even knows what that means. But it is a guiding principle of the Fed, and it has determined that interest rates will remain high for working Americans. Because of NAIRU and because of the grip that this arcane concept has on the Fed, we have unduly high interest rates today, higher than our historical averages, higher than what is warranted by the rate of inflation out there.

Well, NAIRU says is that if unemployment goes below a certain level, then inflation will take off—not just increase, but it will accelerate at such a rate that only unusually high interest rates could ever stop it. Well, as I said Monday, NAIRU has been proven to be inaccurate. It was once believed that inflation would accelerate if unemployment went below 6 percent. They said if it goes below 6 percent, look out, inflation is going to take off. Well, it went below 6 percent and inflation didn't take off. Well, the believers in this concept said, we were just wrong, it is really 5.5 percent unemployment. Well, then it went down below that. Then they said it is 5 percent. Surely, if we get to 5 percent unemployment, boy, inflation is going to take off. And because of that, we saw the Federal Reserve, under Mr. Greenspan, double the interest rates, the Federal funds rate, from 3 percent to 6 percent in 18 months. I believe it was in 1993 and 1994 when they increased those interest rates—or 1994 and 1995. In an 18-month period of time, it went from 3 percent to 6 percent because they said unemployment was getting so low that we are going to have to raise interest rates to keep inflation in check.

Then unemployment went below 5 percent, and still no signs of accelerating inflation. And the Fed admits there are no sings of accelerating inflation. And, despite no signs of this, the Fed is still willing to raise interest rates through the use of its so-called ''preemptive strike.'' I don't understand the justification for an interest rate hike based on an assumption that sometime in the future accelerating inflation may occur. We don't know when but sometime down that road it may happen. So, therefore, we have to jack up interest rates now.

In fact, Alan Greenspan admitted that ''economic understanding is imperfect and measurement is imprecise. . . .'' If the Fed's measurements are imperfect and they are not precise, how can we assume that the Fed knows what it is doing when it launches one of its preemptive strikes? We don't know, because, first of all, the Federal Reserve Board meetings are kept secret for 5 years. Why? There is no reason to keep their Board meetings secret for 5 years. I would think that at least after 1 year we ought to at least be able to look at their Board meetings and find out why they decided to do what they did.

So we have a Fed that uses an outdated concept to fight inflation when it might not even know how much inflation is actually in the economy.

Again, what we need to understand is that there is a difference between rapidly accelerating inflation and modest inflation. Mild inflation may redistribute income—causing some pain to those who are unemployed—but it doesn't destroy employment, and in fact may even be beneficial in terms of more employment and rising incomes.

To quote James K. Galbraith, a professor of economics at the University of Texas, ''It therefore makes little difference, from the standpoint of inflation dangers that matter most, whether one pursues low unemployment or not. The inflation costs of lower unemployment are small, tolerable, and easily reversible, if necessary—and that is using pessimistic assumptions. The dangers of an external supply shock, though much greater, are not closely related to the rate of unemployment, and cannot be reduced by a slow-growth policy. The lesson to be drawn is that there is no benefit in failing to pursue full employment.''

To further quote Galbraith, ''Therefore, at a minimum, policy should do nothing to slow economic growth. Let the economy grow. And if growth slows, policymakers should react quickly by lowering interest rates in an effort to keep progress going. There is certainly no benefit from slower growth and rising unemployment while the inflationary costs of a stimulative policy in response to evidence of a slowdown are speculative and small.''

However, there may be greater risks posed to the economy should the Fed continue its all-out effort to fulfill the bond market's goal of zero inflation.

And that really is what Mr. Greenspan is after. They want zero inflation. But I believe that may pose a very great risk to our country. Last summer, George Akerlof, William Dickens, and George Perry of the Brookings Institution published a study called ''The Macroeconomics of Low Inflation.'' Their study argues that controlled amounts of modest inflation are beneficial to the economy by preventing very high enduring levels of joblessness. In sum, this paper suggests the economic and social costs of getting to zero inflation, otherwise known as ''price stability,'' are far higher than most economists believe.

To quote the study, ''The main implication for policymakers is that targeting zero inflation . . . will lead to a large inefficiency in the allocation of resources, as reflected in sustainable rate of unemployment that is unnecessarily high.''

I raise this point because zero inflation—''price stability,'' as it is otherwise known—is the stated goal of Mr. Greenspan and the two nominees to the Federal Reserve Board, Mr. Gramlich and Mr. Ferguson.

Again, to quote Mr. Greenspan in his 1997 Humphrey-Hawkins testimony, ''The view that the Federal Reserve's best contribution to growth is to foster price stability has informed both our tactical decisions on the stance of monetary policy. * * *''

Mr. Gramlich stated, ''In the long run, the most fundamental of these objectives is stable prices.''

Mr. Ferguson said, ''Price stability should be a central goal of monetary policy.''

What concerns me is that in their blind pursuit inflation based upon this arcane notion of NAIRU, that we are coming very dangerously close to deinflation. It may even be there right now.

Over the past year the core inflation rate, measured by the Consumer Price Index, has increased by approximately 2.2 percent. But Mr. Greenspan and others say the CPI is overstated by as much as 1.5 percent. That means we might have basically zero inflation in our country.

So what happens when you reach zero inflation? Beyond the question of the Federal Reserve's policies on incomes of average people, which I mentioned on Monday and which I will talk about shortly, my concern is about the real possibility that the Fed may send our economy and the world's economy into a serious period of deinflation.

In the United States, expectation of accelerating inflation is shrinking significantly. We brought down our budget deficit to where it is practically nothing. So we have our fiscal house in order. Inflation is very low. Unemployment is going down. But the Federal Reserve and the nominees before us see zero inflation at the end process. But, in fact, zero inflation is a point on a continuum. You can have inflation. You have zero inflation. Then you have deflation.

I believe right now we are on the precipice of risking a destabilizing situation which may push us into a deflationary period.

So I think deinflation to me right now is more scary than modest inflation. I believe that a serious escalation on that side—deinflation—is more likely over the next 5 years than significantly higher inflation. Yet, the Fed is paying no mind at all to that.

The old ''pay any price, bear any burden'' to battle inflation has prevented the American economy from reaching its full potential. And what it has done is it has said to the middle class that you get less and less of growth of our economic pie.

Before I yield to the Senator from North Dakota, I want to point out what is happening here with the distribution of the economic pie, as we see it. This chart says it all. If you are in the top 20 percent of the income earners of America, you are getting a larger and larger portion of the income in America. But if you are in the bottom 20 percent—actually, if you are in the bottom 80 percent—you are getting less and less. It is the top 20 percent that is getting more and more of the growth in the economic pie of our country. Again, that is because we have kept the inflation rates artificially high.

That seems to make sense when you think about it. Who likes high interest rates? If you have money you like high interest rates. If you do not have money, you are a low-income American, and you are a working family wanting to buy a new car, or new home, or put away some money for your kids' college education borrowing money for college education, you are hurt by high interest rates.

Again, this chart also spells it out. ''Labor and Capital Shares of National Income, 1993–1996.'' If you look at the percentage share of national income, what we make as a Nation, labor's share since 1993 has gone down, and is continuing down. But if you look at capital's share, from 1993 to 1996, it keeps going up. That is because of the policies of the Federal Reserve System. More money is going into capital; less and less going to labor.

Again, this chart also shows it. This shows the corporate profit rates and median weekly earnings, 1989–1996. If you look at the corporate profit rate since 1993 it has skyrocketed.

Keep in mind that Alan Greenspan and the Federal Reserve jacked up interest rates—doubled the Federal funds rates—in 1994 and 1995. Look at that tremendous increase in corporate profits. Yet, look at median weekly earnings during the same period of time. Down they have come, especially after 1993.

So, again, more and more of our national income is going to corporate profits, and less and less is going to median weekly earnings of the families of this country.

We have all seen what has been happening on the stock market the last few days. One person from the administration called me the other day and alluded to the fact that my holding up these two nominees sent the wrong signals to the financial markets. I said, ''What about the signals we are sending to working families?'' What about those people out there working hard with maybe two jobs or maybe three jobs with the husband and wife trying to make ends meet, trying to borrow money for a home or a car? What about signals to them? We are not sending any signals. All we are sending to them is higher and higher interest rates all the time.

The high rates of interest, I believe, are slowing the growth of our economy. And, more than that, it is redistributing the growth that we have in such a way that those at the top—the top 20 percent—are getting more and more of national income. The bottom 80 percent are getting less and less.

Again, just before the Federal Reserve began its series of rate hikes in 1994, the Federal funds rate was nearly zero. This chart shows what happened on real interest rates.

They are higher than people think; higher than historical rates. Here they were in 1994. The real Federal funds rate was about one-half percent. Today it is about 3.3 percent. They have come up, and they have stayed up during this entire period of time. So we have higher real rates than we have had before during a period of time when there was absolutely no signs of accelerating inflation in our economy; none whatsoever. Why are these interest rates still high?

It is because the Fed has a misguided policy called NAIRU.

I would like to discuss this chart entitled ''Alan Greenspan and Long-Term Interest Rates.'' It is interesting that every time interest rates, long-term interest rates, start to come down, Mr. Greenspan gives a speech, and interest rates go back up. Back here—this was last year—Mr. Greenspan gave a speech. He called said the stock market was characterized by ''irrational exuberance.'' What happened? Well, interest rates started going up.

Then interest rates started to come down again. Then Mr. Greenspan gave his Humphrey-Hawkins testimony and hints that the Fed may change its interest rate policy. Interest rates go up again.

Then the market forces start to bring interest rates back down again. And then again just this month Mr. Greenspan testifies before the House Budget Committee, again drops subtle hints that in fact the economy is overheated, things are going too fast or maybe there is the specter of inflation. Interest rates start up again. And yet there is absolutely no sign of any inflation. In fact, I think a case can be made that we are right now near zero inflation in our country.

This is the time when labor's share ought to be a little bit better. This line ought to start going up. This line ought to start going up so our working families get a better share of the income of our country, and yet the policies of the Federal Reserve System will not let that happen.

Mr. DORGAN. Mr. President, will the Senator from Iowa yield for a question?

Mr. HARKIN. I yield to my friend from North Dakota, who has been a leader on the subject of fighting for working families and getting the Fed to follow some good, old common sense. I am delighted to yield to my friend from North Dakota.

Mr. DORGAN. If the Senator will allow a discussion here briefly, I appreciate the Senator taking the floor to talk about the Federal Reserve Board and these nominees. I come not so much to talk about these two nominees but to discuss just a bit about where we are and where we are headed with the Federal Reserve Board policies.

If you go back a century or a century and a half ago in this country, you could go from barber shops to barrooms and hear debates about interest rates. All over this country we debated interest rates. In fact, just go 30 or 40 years back, and you will find that Lyndon Johnson called the head of the Federal Reserve Board down to a barbecue at his ranch in Texas and squeezed him, almost broke his bones, I am told, in his shoulder area because the guy was trying to increase interest rates by one-quarter of 1 percent. That was in the 1960s.

Now the Federal Reserve Board has a big concrete edifice downtown with these money-center bankers who sit inside of it and they decide where the interest rates are going to go, and it doesn't matter what the country thinks.

Whose interests do they serve? Well, when they shut the doors down at the Federal Reserve Board and make decisions about interest rates, they call in on a rotating basis the presidents of the regional Fed banks, and they vote on what interest rates ought to be.

Now, who are the regional Fed bank presidents? And who are they responsible to? Were they ever confirmed by the Senate? No. They were hired by a board of directors in their region. Who are the board of directors? Money center bankers. Whose interest do they represent in setting interest rate policy at the Fed? Bankers. It is bankers getting together, meeting with other bankers, to establish the interest rates.

Is that in the interest of the American people? I think not.

I have from time to time come to the floor of the Senate and suggested that my Uncle Joe should be appointed to the Federal Reserve Board. My Uncle Joe is a good guy. He is kind of semiretired now but a good guy, smart guy. He used to fix generators. He knew how to fix things.

There is nobody at the Federal Reserve Board who knows how to fix anything. They all come from the same area. They all look the same. They all wear the same suits. They all have the same educational background. If you put them in a barrel and shake it up, the same person winds up on top—gray suit, Ivy League background. Normally he would have worked for the Federal Reserve Board in the past. They are an economist, which is psychology pumped up with helium, as I said in the past. And they are like the old Roman augurs who used to read the entrails of cattle or the flights of birds in order to portend the economic future. They sit down there now behind this concrete edifice telling us about interest rates and then vote, and they make them stick.

Here, when we talk about taking money out of people's pockets in the form of taxes, we have these extended debates, but when they take money out of people's pockets in the form of higher than are justified interest rates, it is done behind closed doors in secret at the Federal Reserve Board and there is no debate at all and no accountability for it.

The reason I want to pipe up a bit here on this is the Senator from Iowa makes the point interest rates are higher than they should be, and he is absolutely right. There is no historic justification given where inflation is today for interest rates that exist at the Federal Reserve Board. There is no justification for it at all. It means, in terms of where they set short-term interest rates, that the prime rate is too high and every other interest rate paid by every other American business and consumer is too high. It is a tax that is unjustified and enforced against every family.

Now, no one has ever taken me up on the suggestion my Uncle Joe go to the Fed. The reason I suggested Uncle Joe is that my uncle would sit in there, I assume, and say, ''Well what's this mean to the person out there on Main Street? What's this mean to the person who has a little business or who's borrowed some money to start a business? What's it mean to that person?''

That is not discussed. It is just a closed group of people who kind of come from the same background, and they just keep talking and they decide what they are going to do in a closed session.

I know the Senator from Iowa remembers I have brought to the floor of the Senate, just as a public service, a chart from time to time with all the pictures of the Fed Board of Governors, where they came from, what their education background is, how much money they make, along with the regional Fed bank presidents so the American people can see who's voting on interest rates. They need to see that.

Now, I might make one other point. I appreciate so much the indulgence of the Senator from Iowa.

Mr. HARKIN. This is a good discussion.

Mr. DORGAN. This is the last living dinosaur. It truly is. There has been a revolution of sorts in virtually every public institution. We have reformed welfare. We have tackled the budget deficit. We have done a lot of things in town in public policy. But guess what has not changed at all. The Federal Reserve Board. Nothing. No change.

We had the GAO do an investigative analysis of the Federal Reserve Board. What we discovered—and I can put some of this in the RECORD at some point—was that while they were telling everybody that we need more austerity, telling Congress you need to tighten your belts, they were down there overeating, spending more and more each year.

The report, a one-of-a-kind study that took 2 years to assemble, called into question a whole series of practices with respect to the Fed's building accounts, contracts they are involved with. But the interesting part of the report was—it was a large report. The little nub of it, which is the hood ornament on the excesses at the Federal Reserve Board, is that the Federal Reserve Board has squirreled away $4.3 billion, and I will bet most Members of the Senate don't know it's there. When we actually had the report done, it was about $3.7 billion, roughly. But now it has grown to $4.3 billion as of the 15th of this month—$4.3 billion.

Mr. HARKIN. Might I ask the Senator, if he will yield, what is that money used for?

Mr. DORGAN. That is a contingency fund set aside to absorb possible losses or what a family might call a rainy day fund. Now, the Federal Reserve Board has been in existence I guess about 80 years. Roughly 80 years.

Mr. HARKIN. More than that. 1912, I believe—1916.

Mr. DORGAN. For 80 consecutive years the Fed hasn't had a loss and it will and never will have a loss. You can't have a loss if you are the Federal Reserve Board. Your job is to create and make money, and you do it routinely on a guaranteed basis. So the question is this. Why would an institution that will never have a loss in the future, squirrel away $4.3 billion of the taxpayers' money in a rainy day fund?

The GAO, the General Accounting Office, the investigative arm of Congress, asked that question. In fact, they are the ones who discovered it. I did not know it existed.

Mr. HARKIN. I had no idea.

Mr. DORGAN. They asked that question, and the Federal Reserve Board actually gave them three or four different excuses for it. Essentially, when you boil it down, they said we need this for a contingency, for a rainy day fund.

The GAO said simply that money ought to be given back to the American taxpayer; $4.3 billion. I wonder how many Members of the Senate know that sits down there in an account for an agency that will never have a loss. They have squirreled away $4.3 billion.

The GAO says this ought to go back to the taxpayer. What is the Fed's response? No response. It doesn't have to respond to anybody. It is not accountable. It doesn't respond to you, to me, to the Congress, to the GAO. It is its own institution.

It was not supposed to be that way. It was not supposed to be a strong central bank, unaccountable to anyone. It has become the last living American dinosaur: up on a hill, the big fence, locks on the doors. They make decisions behind closed doors. They call in their local bankers and make their decision on interest rates. They serve their constituents, not ours, and that is the public policy.

Mr. HARKIN. I do not know a lot about the Fed's internal operations. The Senator has looked at it a lot closer than I have, and he has given us some information I did not know. But when the Fed Board meets to make its decisions, do they in fact meet behind closed doors?

Mr. DORGAN. Oh, sure.

Mr. HARKIN. Could I go down and sit in on it? I don't know. Can anyone sit in on those meetings?

Mr. DORGAN. Let me suggest the Senator try that. In fact, I might be willing to go with him, and we will find, I assume, a reasonably comfortable chair—since I am told they buy great furniture down there. They will provide us a chair outside the room. Do you think the Chairman of the Federal Reserve Board and his colleagues on the Open Market Committee, the Board of Governors plus five rotating regional Fed bank chairmen who convene to make interest rate policy—do you think they are going to invite you in and say, ''Do you want a glass of water or cup of coffee? And, by the way, while you are here, we would like you to sit in this chair because we would really like your advice.''

Do you think that is going to happen? The answer is of course it is not going to happen because this is the last American dinosaur. It operates in secret, makes decisions without public debate because there isn't debate inside the Fed except inside a closed room among bankers.

I know there are some of us who very strongly believe we should have some Fed reforms. I won't go on much longer because I know the Senator has other things to do.

Mr. HARKIN. Would the Senator yield? I just asked my staff—I was unaware of this—I am advised there are no small businessmen or businesswomen on the Federal Reserve Board. I understand they are all bankers or economists. I will further look into this, but that is what I was told. I do not think a such an important decision-making body should be comprised of persons representing two select groups of our society. This is also a nation of small businesses and farms. Small businesses are the ones that employ people. They are the backbone of our economy. If that is true, that there is not even one small businessman or woman on the Federal Reserve Board, it is shocking.

Mr. DORGAN. That's why I want my Uncle Joe there. You are right. I pointed out the Federal Reserve Board—I know they won't like to hear me say this—but the Federal Reserve Board has largely been comprised of people you can just cut out with a cookie cutter.

Incidentally, you and I come from the same part of the country. We have had the sum total of three, three people from our part of the country as a member of the Federal Reserve Board of Governors since the beginning of the Federal Reserve Board, over 80 years ago—three.

Mr. HARKIN. They probably don't want to make that mistake again, do they? If people from the Midwest are appointed to the Board, they might question some of the Fed's policies.

Mr. DORGAN. There are some people out in the middle of the country, between the two coasts, who think we are more than just time and space, that we are part of the country and we are producers and we have a significant interest in what the interest rates are, how much economic growth this country enjoys and so on. That is why I really feel, when we talk about who should join the Federal Reserve Board, who we should confirm, I hope in the future we can finally get to some people who are outside the mold, who can say in those meetings, as they sit in those meetings, ''Gee, what impact does this have? What are we justified in doing here in monetary policy, not just for the interest of banks but for the interest of businesses on Main Street, for the interest of manufacturing plants, and for the interests of mom and pop who are at home, borrowing money trying to send kids to school, maybe trying to start a business?'' Those are the questions that I think are not asked because you have a single objective at the Fed at this point and that is they have decided to pursue, as you correctly pointed out, a zero inflation rate.

Mr. HARKIN. Yes.

Mr. DORGAN. We have had twin economic goals in America, generally speaking: Stable prices and full employment. But we don't have twin goals at the Federal Reserve Board.

Mr. HARKIN. It is funny how oftentimes I will talk with people from my State of Iowa about the place of the Federal Reserve Board on monetary policy there seems to be a perception among a lot of people in this country that we have the Federal Reserve Board to not only prevent inflation, but to keep us from going into a depression. I find a lot of times when I tell people that, look, the Federal Reserve Board was in existence for over 20 years prior to the Great Depression of the 1930's, the Federal Reserve Board was in existence, yet they didn't prevent the Great Depression and they did nothing to help us get out of it—that is kind of startling to people, to hear that actually happened. The Federal Reserve Board was in existence when we have had a lot of slowdowns and recessions in our country, yet nothing happened. People are amazed at that.

I think one of the reasons for the Fed's existence is to make sure we don't have those kinds of recessions and deflations in our country about which I have just spoken and which I think we are very dangerously close to right now. So I think a lot of people in this country have a mistaken idea. I think it is because we don't have a good debate on monetary policy.

I just say to the Senator from North Dakota, talking about his cookie-cutter images of people on the Fed, I met with both of the nominees, Mr. Gramlich and Mr. Ferguson. They are nice, nice individuals. They are very pleasant, obviously very smart, very learned individuals. They are successful in their respective careers. But from what they told me and from their statements before the committee, they are just going to sing out of the same hymn book; the same song, second verse, same thing that they hear down at the Fed.

I said I would like to hear some people down at the Fed who would say, ''Wait a minute, let's have a different view on this.'' One of the things I like about the Senate, or the House of Representatives where we, the Senator and I, both served before, is not everyone here believes the same thing. You get good discussions and good debate on almost every issue. Out of that I think you get policies that are better for our country. But if everyone thinks the same, you are not going to get good policies that really benefit our country. That is what I am afraid of. At the Fed you just have one line of thinking and whoever gets nominated by the President and gets put on that Board, they think the same.

Mr. DORGAN. There is an old saying, when everyone in the room is thinking the same thing, no one is thinking very much.

Mr. HARKIN. Yes.

Mr. DORGAN. We had a recent example at the Federal Reserve Board. We sent someone down there who I think had pretty good promise, kind of a different-thinking person. He didn't last too long. At least some of the discussion in the papers about why this fellow left the Federal Reserve Board—I am told it is because he was not accommodated very well. You know, he didn't think the same, so he was sent over to a corner there and wasn't involved in policy very much. The result was that it was not a place he wanted to stay, because it wasn't a place for dissenters or people with opposing views.

I will finish by simply saying—

Mr. HARKIN. I yield further to the Senator.

Mr. DORGAN. By simply saying the Senator from Iowa does an important service, it seems to me, in a Senate that is empty, pretty much, on an issue of monetary policy and Federal Reserve Board issues, when very few people are willing to discuss or debate or advance these issues. The Senator from Iowa is willing to do that. For that, I am enormously appreciative.

I know neither of us is going to be given an award, Man of the Year Award, by the Federal Reserve Board or any of the regional banks, and I accept that. But I do think it would serve this country's better interest to have a significant debate about what kind of monetary policy is good for all of our country, good for working families, good for businesses, good for Main Street and Wall Street—good for banks, yes, because we want banks to do well as well as the rest of the American economy. But we have such a lack of thoughtful debate about monetary policy. The two policies of monetary and fiscal policy are the policies that determine whether we have an economy that is doing well.

The Senator made a very important point. We had recessions and depressions before we had the Federal Reserve Board and we have had recessions and depressions since. Has the Federal Reserve Board done some good things? Yes, I think so. I think in times of difficulty they have made some tough decisions. I think in times of fiscal policy excess they have put the brakes on, in monetary policy. I think there are a number of things that I can point to about the Fed and say, ''Good job, we are glad you were there.'' But there are other circumstances in which I think it is important to say to the Fed, ''You have a responsibility in public policy to do more than just represent bankers' interests, more than just represent your single-minded goal that ignores the needs of a whole lot of the American people.'' I don't stand here saying that I think we ought to do things that advance more inflation in our economy.

Less inflation is better for our economy, and the global economy is what has largely produced a lower rate of inflation. But it is also very important, having the aggressive debates we have in fiscal policy, in monetary policy for us to foster the opportunity for those same debates about what kind of policies benefit whom and how and why. That is what the Senator from Iowa does. I think it is a significant service for him to be here and do that. I am pleased to come out from time to time and be involved in the discussion with him.

Mr. HARKIN. I appreciate what the Senator said, and I appreciate his longtime involvement in this issue. I hope that we will take time in the Senate and the House to really have some more discussions on monetary policy and on the Federal Reserve System.

I hope that sometime soon we might even entertain some legislation to change the operation and the functioning of the Federal Reserve System. As the Senator from North Dakota said, it is a dinosaur; it hasn't changed. We try to change the way we operate around here. The Federal Government is undergoing reorganization. But the Federal Reserve just keeps on the same way it has been doing things year after year, and it never changes.

I think perhaps we would be well advised to think of legislation to perhaps change some of the operations of the Fed and have a good healthy debate on how the Fed is structured, what its responsibilities are, how nominees are selected, how they are approved and whether or not we might want some different voices and different kinds of people periodically on the Fed to take a look at what they are doing.

Should their meetings be secret? Should they be secret for 5 years? I don't know. I tend to think they shouldn't be secret for 5 years. I have said that one year might be an appropriate period of time. Some said why even a year? I had to think, why even a year?

I believe we must have some sort of time limit because you don't want markets to fluctuate drastically due to speculation on the Fed's decisions. But, Mr. President, isn't it true that markets always operate the best when there is transparency? I have served on the Agriculture Committee for many years. I have looked at the commodities markets, and we have always said that when you have transparency, that is when markets function most efficiently. It is when things are hidden and no one knows what is going on and you have a few people making one decision behind closed doors that affects thousands of others, that is what skews the market.

The market works best when there is transparency, and if you have a Federal Reserve System operating behind closed doors, with secret meetings and their minutes are kept secret for 5 years, I believe that more than anything skews the financial markets. Secrecy does not provide for a more orderly functioning market system.

Mr. President, in all of this debate, we can talk about monetary policy and what it all means. It gets kind of arcane and people's eyes get a little bit heavy. Sometimes we have to bring it home, who and what are we talking about. We are talking about Ken Bishop, a senior records clerk for AT&T in Morristown, NJ. This is an older story but still very appropriate. Mr. Bishop has endured two rounds of layoffs, commutes 110 miles a day, works two jobs, yet his family income remains stuck at $40,000 a year, right where it was 10 years ago. But 10 years ago, he owned his own home; now he rents. His wife works two jobs at times, and he still owes money.

So when AT&T said it would lay off another 40,000 workers, the 48-year-old Bishop said, ''You stop and look at this and say, ''When is it all going to end?'''

Or it is about Cynthia Pollard. Two years ago, she was making $40,000 a year selling computers. She wore suits and heels to work, lived in a tony Atlanta neighborhood and ate out often. Then the company closed its Government division and Pollard was laid off.

Between jobs without health insurance, she totaled her car and suffered a pinched nerve. Now she is a waitress earning half her former salary, taking the bus to work, too exhausted from 14-hour days to even think about going out.

These are the people we are talking about. We are talking about labor's share, working people's share of the national income.

Since 1993, it has been on a downward track. Capital share of growth in this country keeps going up and up. What that means is a further widening of income and wealth in our Nation. The middle class is being shoved further and further down, and this chart shows it. This chart represents a change in the share of income received by each quintile, each 20 percent of our income earners in America. The top 20 percent of income earners are getting an increasing share—this is a percentage—an increasing share of our national economy at the expense of the other 80 percent.

The lowest 20 percent, that is low income. Obviously, they are getting squeezed the hardest. Up here you have middle-income people and their share of our national income is going down as well.

I believe that spells a great danger for our country, more dangerous than this specter or this fear or this ghost of inflation that the Federal Reserve System keeps saying they want to fight at any price. Well, this is the price we are paying right here, a tearing apart, I believe, of our American middle class.

Why? Why is it that unemployment can come down and inflation won't go up? Why is it that NAIRU is outdated and arcane? It is because we live in a new world where prices can decline because of fierce international competition?

For example, over the past few months, we have heard announcements from most of the major automakers. They are either going to hold their 1998 model prices at the 1997 level or even lower because they are facing competition both domestically and internationally. Companies are more aggressive as they cut costs. There is a spreading anti-inflationary mentality among individual and corporate consumers.

For example, Larson Manufacturing, a storm door manufacturer with operations in my home State of Iowa, raised workers' wages by 4 percent over the past year despite pressures to keep his prices flat. Mr. Jack Welch, the CEO of General Electric, said: ''There is absolutely no inflation. There's no pricing power at all.''

All of this means we can have fuller employment, higher incomes, a better share of our national income for labor, for working people without having any inflation.

Again, I will quote an article by Greg Jaffe in the July 31 Wall Street Journal:

Many economists are increasingly concluding that with fundamental changes in the world of work—for now at least—the unemployment rate does not mean exactly what they thought it meant: There are far more people than ever before who don't think of themselves as unemployed but will take jobs they find appealing. Far more people are available for employers than the unemployment rate suggests.''

How many times do we pick up the paper and see that some company has opened a new division and they put out the hiring notice, and if the wages that they are paying are even modestly over minimum wage, they can advertise for 200 positions and 1,000, 2,000, 3,000 people will show up for jobs that pay just a little bit more than minimum wage? This shows Americans are desperate for higher paying jobs. But to get higher paying jobs, we need a healthy, vigorous, growing economy.

We also have to recognize that more people are entering the work force, that combined with increasing productivity will allow our economy to grow at a faster rate. We have a welfare-to-work program. We have a lot of people on welfare that are now going to be coming into the work force. And, quite frankly, we have a lot of women who have not entered the work force before who may float in and out of the work force.

I will repeat again from the article by Mr. Peter Huber in the Forbes magazine of September 8, 1997. He said:

Officially speaking, America hasn't yet discovered microwave ovens or women's lib. Bone-weary though she may be, the stay-at-home mother doesn't labor at all in the eyes of employment statisticians. But she could, easily enough. With one new mom working at a day care center, three other moms can enter the official work force when they choose. So long as many women remain ambivalent about where to work, in the home or out, the supply of labor will remain far more elastic than the statistics suggest. Memo to Alan Greenspan: Wire roses to Gloria Steinem.

The article goes on to say that:

If the officially audited supply of labor keeps falling and the price doesn't rise—

Which is what has been happening—

then we must either give up on economics completely or conclude that there's more to the supply side of labor markets than meets the official eye. Perhaps it's simply that American women, Mexican men and Intel's progeny have all become good substitutes for what the official statisticians call U.S. labor.

Anyway, Mr. President, I ask unanimous consent that Mr. Huber's article be printed in the RECORD.

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

[From the Forbes, Sept. 8, 1997]

WAGE INFLATION? WHERE? (LABOR STATISTICS LOSE PREDICTIVE VALUE)

(By Peter Huber)

HERE'S WHY STOCK PRICES are really supposed to fall. Employment rates rise above some critical flash point. So wages rise sharply. So prices of goods rise—just as rising wages are boosting demand. Inflation soars. So interest rates go up. Stock prices crash.

This is a perfectly sound theory, but it requires some facts. Where's the critical flash point? Do the employment statistics mean what they used to mean? Do they mean anything at all?

Officially speaking, America hasn't yet discovered microwave ovens or women's lib. Bone-weary though she may be, the stay-at-home mother doesn't labor at all in the eyes of employment statisticians. But she could, easily enough. With one new mom working at a day care center, three other moms can enter the official work force when they choose. So long as many women remain ambivalent about where to work, in the home or out, the supply of labor will remain far more elastic than the statistics suggest. Memo to Alan Greenspan: Wire roses to Gloria Steinem.

Labor markets have stretched into the home; they have also spilled out of the country. A U.S. multinational doesn't raise wages in Maine if it can shift production to a more elastic labor market in Mexico. Even the all-American producer in Kansas can't raise wages or prices much if it competes against imports from a wage-stable Korea. Labor statistics, in short, don't mean much unless they track where goods are produced and consumed. The more transnational economies become, the worse the tracking gets.

Then there's silicon. It takes a mix of capital and labor to manufacture a mousetrap, and economists have always allowed that the mix can change. In the past, however, the substitution effects were slow. You could hire and fire workers a lot faster than you could acquire or retire machines and buildings. So ready supplies of capital didn't discipline the price of labor in the short run.

Is that still true? Computers are getting easier to deploy, smarter and—because of rapid innovation and falling costs—shorter-lived. Many a manager can now expand production as easily by investing an extra dollar in chips or software as he can by hiring new workers. Technology can have a powerful wage moderating effect long before silicon becomes a complete substitute for sapiens. All it takes is enough substitution at the margin.

The substitution is happening. Productivity, it now appears, has been rising a good bit faster in recent years than government statisticians recognized. Three new working moms with computers produce as much as four old working dads without. Add newly minted Pentiums to the ranks of those in search of useful work, and unemployment statistics look very different.

None of this will tell you whether to go long or short on General Motors next week. It's just that the next release of official labor statistics probably won't, either. Like a drunk searching for his keys under the lamppost rather than in the shadows where he lost them, the government statistician counts where the counting is easy. But the three great economic stories of our times—women in the work force, global trade and information technology—offer no easy counting at all. The counters are good with things that sit still. Women, foreigners and chips keep moving.

This much we do know for sure. If the officially audited supply of labor keeps falling and the price doesn't rise, then we must either give up on economics completely or conclude that there's more to the supply side of labor markets than meets the official eye. Perhaps it's simply that American women, Mexican men and Intel's progeny have all become good substitutes for what the official statisticians call United States labor. Maybe welfare reform is effectively expanding labor pools, too. In any event, running out of old bread creates neither famine nor inflation when there's a glut of new cake.

According to official statistics and economic models, a supply-side crisis in labor markets should have reignited inflation some time ago. Investors may indeed be crazy to ignore this indubitable, though theoretical, truth. But if so, wage earners are crazier still—so crazy they don't raise the price of their labor when they can. Then again, maybe they can't.

Mr. HARKIN. As I pointed out earlier, average economic growth over the past 25 years has been a full percentage point lower than what its average in the previous 100 years. Slow economic growth is a zero sum game. There are going to be winners and there are going to be losers. Unfortunately, more Americans are finding themselves to be on the losing end.

Over the past 2 and a half decades the losers have been hard-working American families. And the winners—the winners have been the top 20 percent income earners in America.

The September 1, 1997, Business Week had an excellent article. It described the plight of workers that I previously read about. There is the story of Ted Oliver, a 27-year veteran of Con-Agra. I know that company well out in the Midwest. He works at the shipping dock of Con-Agra's Batesville, AR plant.

Last March, the employees of the plant got a 17 percent raise over the next five years. While that may sound like a lot, it is not.

I am quoting the article from Business Week.

Even though the 5 percent hike that took effect this year pushed Mr. Oliver's hourly salary up to $8.96 an hour—

And mind you, he is a 27-year veteran of this company. He is now up to making $8.96 an hour—he and his coworkers earn less in real terms than they did in 1988. In fact, he will still be behind his 1988 earnings levels when the entire raise kicks in. Despite his working 9 to 10 hour days, 6 days a week, and his wife working two jobs, Mr. Oliver said, ''We've been strapped, and we're not even back to where we were.''

Think about that. Think what that does to you as a family. You worked all these years, you think you get a decent raise, and yet you are not even where you were in 1988 in terms of your real income.

It is little wonder why the amount of personal debt keeps going up all the time.

Of course we have a movement afoot to change the bankruptcy laws so people can't declare bankruptcy like they used to. I would suggest, Mr. President, before we go down that road we begin to find out why more and more Americans are going into debt and why they are piling up the debts and why they are declaring bankruptcy to get out from underneath it—rather than us just rushing to pass legislation to make it harder for people to pay off their debts.

I just also point out that Mr. Oliver's grand wages of $8.96 an hour, assuming a base 2,000-hour a year job, is less than $20,000 a year for him and his family.

So the median family household income has not yet returned to its pre-1989 level. That was the last year in which we had a recession. In theory, periods of economic growth are supposed to allow wages and incomes to surpass the levels enjoyed in prior years of economic growth. In a capitalist society, we have periods of growth, and then we have a slowdown, and we have a growth again. In theory, each period of economic growth should lead to an increase in incomes for all Americans. But in this economic expansion incomes for most Americans have not even caught up to the level we had for 1989.

Well, the bill for Alan Greenspan's slow-growth economic policies and high interest rates is coming due. As a recent editorial in the Washington Post said:

The United States is six years into an economic expansion, with low inflation, low unemployment and a famously soaring stock market. Yet the benefits of economic growth are not filtering down as much as might be expected. Median household income remains lower than in 1989, before the last recession.

The number of poor people in the United States did not diminish in 1996 from the previous year, the poverty rate is still higher than in 1989 and the number of those considered very poor—[that is] earning less than one half of the poverty threshold—actually increased in the last year. Wages for men working full-time declined in 1996 by 0.9 percent from the previous year.

Imagine that. Huge stock market boom. This top 20 percent getting more and more money; members of Congress increasing their salaries. And yet wages for people working full-time declined last year by nine-tenths of a percent from the previous year.

The editorial goes on to say:

Beneath these disappointing statistics is a trend of increasing inequality . . . it seems to us that most Americans aren't likely to be comfortable with an economy that leaves one sector further and further behind. It's not a recipe for future steady growth, nor for a healthy society.

We have heard a lot of talk about how the recent records in the stock market are benefiting millions of Americans. But that is not true. Over 80 percent of the American people do not even own stock.

As a U.S. News & World Report article pointed out:

Middle Income Americans have most of their assets in their home and [in] their savings, while the rich keep a higher percentage of their wealth in financial instruments such as stocks and bonds. Housing prices haven't kept pace with the torrid stock market, and the middle class has virtually stopped accumulating savings. While the wealthy have been running up huge gains in the stock market, middle-income Americans have been running up credit card debt to compensate for stagnating wages.

That is what is happening. The solution to reversing these dangerous trends is strong, sustained economic growth. The Federal Reserve has been on a course to try to limit economic growth to around 2.2 percent. Again, we have exceeded that. No thanks to the Fed, but we have exceeded that. Yet the Fed is determined at all costs to keep that growth from increasing, and also at all costs to keep interest rates high.

The Federal Reserve doesn't seem willing to let American workers enjoy even modest gains in wages.

Lower unemployment and rising wages all tie back into this NAIRU concept that I raised earlier in my statement. Again, NAIRU says that when unemployment drops below a certain level, employers will be forced to raise wages. Because of this, we will have inflation accelerate at an uncontrollable pace. That is a view supported at the Fed, and I am sorry to say, including the two nominees before us, Mr. Gramlich and Mr. Ferguson.

Again, Mr. President, even Mr. Greenspan said in his March 5 Humphrey-Hawkins testimony that job insecurity is something to be welcomed, ''If heightened job insecurity is the most significant explanation of the break with the past in recent years, then it is important to recognize that * * * suppressed wage cost growth as a consequence of job insecurity can only be carried so far. At some point the tradeoff of subdued wage growth for job security has to come to an end.''

Well, I support the opinion of James Galbraith of the University of Texas, who said, ''Mr. Greenspan is concerned about the possibility that the American worker might start to demand and receive a slightly bigger share of the economic growth that has occurred over the last several years. Repressing wages is the essential thing, and the way to do that is to slow economic growth, raise unemployment, and make sure that job insecurity that Mr. Greenspan explicitly credits for suppressing wage growth does not diminish nor disappear.''

Again, this is what we are confronting. That is why I tried to take this time to talk about monetary policy. We don't talk about it much in the Senate and don't pay much attention to it, but the monetary policy of the Federal Reserve Board is having a devastating impact on American society. What it means is that real interest rates continue at an unnecessarily high level. It means that more and more moderate-income Americans are paying unduly high interest rates for their homes and cars and their kids' college education. The high interest rates mean that more and more income will go into corporate profits and less and less will go into weekly earnings of hard-working Americans. High interest rates mean working Americans will rack up more and more debt, and it means a hidden tax on the American family.

A 1 percent increase in rates raises the average home mortgage by almost $1,000 a year. A mortgage on a $115,000 house goes up $80 per month. A 1 percent increase in rates raises the payments for an average farmer by $1,400 per year. A 1 percent increase in rates raised the payments for the average small business by $1,000 per year. These interest payments amount to nothing more than a hidden tax on hard-working Americans. And unlike a tax, which you can reasonably argue that at least it goes into the Government that is used to build better roads, better bridges, schools, health care and things like that, that doesn't go there. The benefits of higher interest rates go to the top 20 percent of Americans, who increasingly get more and more of the share of our national income. Again, I believe our free-enterprise system and our capitalist system and our capitalist economy will be far better off if, instead of keeping wages low and keeping the bottom 80 percent of our income earners falling lower, if we had a more balanced monetary policy in our nation. I believe our free enterprise system and our economy will be better off if the incomes and wealth of the top 20 percent grow at a proportion equal to the rest of society. If we do that, then I believe we will have a vibrant, growing economy that will be shared by all.

It is not going to happen unless we have a different mindset at the Federal Reserve System. I will continue to talk about this and will continue to fight for these policies as long as I am at least here in the U.S. Senate. I hope we will get people on the Federal Reserve Board who will bring a different view and a different opinion and who will not be afraid to go out and state those opinions and engender a more healthy, public debate.

I have to say, Mr. President, it would do my heart and my mind good, and I think the hearts and minds of the American people a lot of good, if we had a member of the Federal Reserve Board go out and start debating and talking about a different method, a different way of approaching the monetary policies now in place at the Federal Reserve Board.

I think the last time we had that happen some of the powers that be at the Federal Reserve Board came down on that person pretty hard. But I think that debate has to happen, and I am hopeful it will happen there, and it should happen here in the U.S. Senate. But we don't seem to be having that debate. We should have that debate because it means a lot to working Americans.

I sum up my comments by saying I didn't really want to unnecessarily hold up the appointments of Mr. Gramlich and Mr. Ferguson. I know they will go through by voice vote. That is fine with this Senator. But I think more often than we have, we have to debate monetary policy here on the floor of the U.S. Senate and what it means to the American people. Just as war is too important to be left to the generals, so is monetary policy too important just to be left to the bankers. We must also include our small business people, our farmers, our consumers in this debate and in the setting of the policy. That can only be done if we have a good, healthy debate.

Again, to sum up, Mr. President, what we need at the Fed is a policy of lower interest rates that will help our wages go up for our working Americans who have fallen too far behind so that they should get a fair share of our growth. Those lower interest rates will also mean our economy will grow at a faster rate, which I believe it can. I believe the Federal Reserve is saying that the best economic growth we can hope for is the equivalent to a C average. I believe the working people of this country can do a lot better than that. I think our productivity is such and our work force is such that we can do a B+ or an A. Why shouldn't we try for a higher rate of growth?

I also believe that a change in the monetary policy of the Federal Reserve Board will mean that a lot of working Americans will have a little bit better lifestyle. Perhaps they can buy a better home with lower interest rates. Perhaps they can have a more decent car. Perhaps they can take their wife or kids out to a local restaurant to eat once in a while. Nothing wrong with that. Perhaps they can take a nice vacation once a year. Nothing wrong with that, either. Perhaps they can borrow a little bit more money at a better interest rate to put their kids through college. Nothing wrong with that, either.

In sum, the Federal Reserve policies, if they are changed to reduce our interest rates, I believe can mean a better life for working Americans all over our country. On the other hand, if the Fed continues its blind adherence to this arcane concept of NAIRU, if they continue their blind adherence to raising interest rates at merely the ghost of inflation, then I predict, Mr. President, that we are on the precipice of falling into a deflationary period in America. If that deflationary period happens, working Americans are going to be hit a lot harder than they ever would be by a small or modest increase in inflation.

Mr. LEVIN. Mr. President, today I expect that the Senate will give its approval to President Clinton's nomination of Dr. Edward Gramlich. This will bring the career of this distinguished University of Michigan professor full circle. Thirty-two years ago, Dr. Gramlich had his first professional experience with a research job at the Federal Reserve. Shortly, he will be returning to the place where he got his start in 1965, although this time he will not be a researcher but a Member of the Board.

Dr. Gramlich received his BA from Williams College and his MA and Ph.D. from Yale University. Since then he has held positions in a variety of government and academic areas. His academic positions include over 20 years at the University of Michigan as Dean of the School of Public Policy, Chairman of the Economics Department, Director of the Institute of Public Policy Studies and always Professor of Economics and Public Policy. He also held temporary positions at various other universities including Monash, George Washington, Cornell and Stockholm Universities.

Dr. Gramlich's government and research experience covers a wide range of subject areas. In 1970, he was the Director of the Public Research Division at the Office of Economic Opportunity where he studied economically efficient ways of dealing with poverty. In his capacity as Deputy and later Acting Director of the Congressional Budget Office, he worked to reduce the burgeoning deficits of the mid-1980s. While working on the Quadrennial Advisory Council on Social Security, he proposed a plan to preserve the social protections now built into Social Security while providing for enough total saving so that future retirement benefits can be preserved. In addition, Dr. Gramlich has written dozens of journal articles and reports on issues ranging from Social Security and school finances to Major League Baseball and deficit reduction.

In Dr. Gramlich's testimony before the Banking Committee hearing on his nomination, he said, ''I strongly feel that both economic and social goals are important. . . . A good economist should know how to balance both objectives, which is what I have tried to do throughout my career.'' This philosophy culled from his substantial experience has served his well in many capacities. The Banking Committee showed its full confidence in him in voting to approve the nomination, and I fully expect him to fulfill the expectations that the President and the Senate have placed in him.

Mr. HARKIN. Mr. President, I yield back all the time, and I suggest the absence of a quorum.

The PRESIDING OFFICER. 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. Without objection, it is so ordered.

VOTE ON THE NOMINATION OF EDWARD M. GRAMLICH

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination of Edward M. Gramlich, of Virginia, to be a member of the Board of Governors of the Federal Reserve System for the unexpired term of 14 years from February 1, 1994?

The nomination was confirmed.

VOTE ON THE NOMINATION OF ROGER WALTON FERGUSON

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination of Roger Walton Ferguson, of Massachusetts, to be a member of the Board of Governors of the Federal Reserve System for the unexpired term of 14 years from February 1, 1986?

The nomination was confirmed.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will now return to legislative session.

MORNING BUSINESS

The PRESIDING OFFICER. Without objection, there will now be a period for morning business until the hour of 7 p.m., with Senators permitted to speak therein for up to 5 minutes each.

MAJ. GEN. ANSEL M. STROUD, JR.—AMERICAN HERO

Ms. LANDRIEU. Mr. President, I rise today to pay tribute to one of Louisiana's own true American heroes, Major General Ansel M. Stroud, Jr., Adjutant General for the State of Louisiana.

A native of Shreveport, Louisiana, General Stroud began his distinguished career in April of 1944, when he enlisted in the United States Army and was commissioned a second lieutenant following completion of Officer Candidate School in 1946. After serving active duty, he joined the Louisiana National Guard in June of 1947. During his service with the National Guard, he has served as a reconnaissance officer, company commander, regimental supply officer, aide to the commanding general of the 39th Infantry Division, and battalion commander. In 1968, he was assigned as Chief of Staff for the State Emergency Operations Center, and became commander of the 356th Support Center (RAO) in 1971. He was appointed to the position of Assistant Adjutant General on May 9, 1972, and in August 1978 accepted a dual assignment as the commander of the 256th Infantry Brigade (Mechanized). In October 1980, General Stroud accepted his current position of Adjutant General for Louisiana.

When reminiscing about General Stroud's career, one could easily point to his many military decoration and awards: most notably included are the Distinguished Service Medal, the Legion of Merit with two Oak Leaf Clusters, the Meritorious Service Medal with one Oak Leaf Cluster, the Army Commendation Medal, the World War II Victory Medal, the Louisiana Distinguished Service Medal, the Louisiana Cross of Merit and the Louisiana Emergency Service Medal with 19 Fleurs-de-lis just to name a few of the honors bestowed upon him. One can also see the direct impact his time in the Armed Services has made with such works as the ''Stroud Study.'' When General Stroud was selected to conduct a Department of Army study on full-time training and administration for the Guard and Reserve, his Study was accepted as a guideline for requirements of the National Guard and Army Reserve for full-time manning programs and was the basis for launching the AGR program.

In addition to his duties as Adjutant General, there are many other areas of service in which he has fulfilled with great distinction: the Boy Scouts of America in which he earned the Silver Beaver Award and the Distinguished Eagle Scout Award; past-president of the Adjutants General Association of the United States; past-president of the National Guard Association of the United States; and service as a member of the Federal Emergency Management

Agency's Advisory Board representing the National Guard Association of the United States.

Mr. President, I would, however, be remiss if I did not mention what I feel has been one of the most important aspects of the General's service to Louisiana: serving as the Director of the Louisiana Office of Emergency Preparedness (LOEP). Throughout the years, Louisianas have become all too familiar with life-threatening dangers presented by mother nature at her worst. General Stroud has certainly taken the motto "be prepared" to heart by ensuring that Louisiana is capable of handling the impact of natural disasters with order and efficiency. Under his supervision, operations at LOEP have undergone state-of-the art advances which have allowed personnel to provide immediate assistance to citizens affected by nature's fury.

Mr. President, many individuals have a calling to serve the public in a variety of ways. They make sacrifices to contribute their talents to the safety, security and well-being of others. These are the individuals whose commitment to excellence and selfless dedication are evident through their leadership and the challenges they choose to accept. On November 8, 1997, General Ansel Stroud will relinquish his present position as Adjutant General, a position he has dutifully held for over seventeen years of his fifty-three years of service to our country. Although he is leaving the realm of public service, the contributions he has made to the greater good of the State of Louisiana will continue to have affect for years to come. It is my most sincere wish that General Stroud and Jane, his wife, will reap all the best which life has to offer, May God bless and God speed.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Wednesday, October 29, 1997, the Federal debt stood at $5,429,377,880,990.06 (Five trillion, four hundred twenty-nine billion, three hundred seventy-seven million, eight hundred eighty thousand, nine hundred ninety dollars and six cents).

One year ago, October 29, 1996, the Federal debt stood at $5,236,574,000,000 (Five trillion, two hundred thirty-six billion, five hundred seventy-four million).

Five years ago, October 29, 1992, the Federal debt stood at $4,067,523,000,000 (Four trillion, sixty-seven billion, five hundred twenty-three million).

Ten years ago, October 29, 1987, the Federal debt stood at $2,385,077,000,000 (Two trillion, three hundred eighty-five billion, seventy-seven million).

Fifteen years ago, October 29, 1982, the Federal debt stood at $1,142,825,000,000 (One trillion, one hundred forty-two billion, eight hundred twenty-five million) which reflects a debt increase of more than $4 trillion—$4,286,552,880,990.06 (Four trillion, two hundred eighty-six billion, five hundred fifty-two million, eight hundred eighty thousand, nine hundred ninety dollars and six cents) during the past 15 years.

MRS. LISA D'AMATO MURPHY, COMMUNITY LEADER OF THE YEAR

Mr. LOTT. Mr. President, today I was informed that Mrs. Lisa D'Amato Murphy, daughter of Senator D'AMATO, was chosen as "Community Leader of the Year" by the Island Park Kiwanis Club. Her significant volunteer participation in both civic and church activities is the basis for this distinguished award. It is important to mention that Lisa is the wife of Judge Jerry Murphy of the Island Park Village Court and the mother of five children. Yet, so strong is her commitment to others that she somehow finds the time to serve her community. While so many people bemoan the lack of hours in a day, Lisa clearly demonstrates that time for community service can be found—if it is a priority.

On behalf of the entire Senate family, I extend our sincere congratulations to Mrs. Lisa D'Amato Murphy, Island Park, New York's "Community Leader of the Year."

NOMINATION OF BILL LANN LEE

Mr. LEAHY. Mr. President, this has been an extraordinary week in Washington with the first State visit by the Chinese leadership since 1989. While President Jiang Zemin's visit has resulted in important agreements on economic, environmental and security issues between our two nations, it has not resulted in the hoped for progress on human rights issues in China.

Yesterday, I spoke about Ngawang Choephel, a Tibetan scholar and documentary filmmaker who was a Fulbright scholar at Middlebury College in Vermont. In 1995 he had gone to Tibet to document traditional Tibetan music and dance when he was detained by Chinese authorities and then sentenced to 18 years in prison for allegedly spying on behalf of the Dalai Lama. No evidence to support these claims has ever been produced, despite my persistent inquiries. Nor have the Chinese authorities provided any information about Mr. Choephel's whereabouts or health status over the past two years. I have raised these concerns with President Jiang directly, emphasizing to him that Mr. Choephel's release from prison would be a meaningful step in the right direction on human rights issues. Yesterday and today in meetings with the Chinese President, I raised this human rights issue, again.

The gulf between our two countries can most clearly be seen on the issue of human rights. This week demonstrates the distance between our two countries in another way as the Senate considers President Clinton's nomination of Bill Lann Lee to be the Assistant Attorney General in charge of the Civil Rights Division at the U.S. Department of Justice. When confirmed, Bill Lee will be the principal law enforcement officer of the Federal Government to ensure the civil rights and equal treatment of all Americans. He will also be the first Asian-American to hold this post and exercise such authority.

A meaningful step the Senate should take without delay is to confirm Bill Lee, a Chinese-American whose life story and life's work are quintessentially American. At the same time we are urging the Chinese Government to improve their human rights' record, we should demonstrate through action and not just words our own commitment to human rights and civil rights by proceeding without further delay on this important nomination.

Mr. Lee was born in Harlem to Chinese immigrant parents. His parents ran a laundry in New York. He went on to graduate from Yale College magna cum laude and then Columbia Law School. He testified last week that his childhood experiences, which included hearing racial slurs directed at his parents and his father's inability to rent an apartment after returning from volunteering for military service in World War II, greatly influenced his decision to dedicate his life to civil rights work. Mr. Lee's efforts over the years have ensured Americans of all races and creeds opportunities to advance in their careers, remain in their homes and raise healthy children.

Since July, Senator KENNEDY and I repeatedly urged the committee to hold a hearing on Mr. Lee's nomination before the Columbus Day recess in order to give this important nomination an opportunity to be considered by the Senate this year. Unfortunately that hearing only took place last week. Chairman HATCH has consistently indicated his commitment to getting this nomination considered before adjournment.

At the hearing, Mr. Lee answered hours of questions. The Republican members of the committee and the majority leader also submitted pages of written questions to him, which have also been answered. All members of the committee have met or had the opportunity to meet with the nominee personally. Unfortunately there was no business meeting of the Judiciary Committee this week. I have asked the chairman to report this nomination to the Senate without delay and hope that he will do so.

Bill Lee is a nominee who has impressed everyone with whom he has met. He is a man of integrity who has practiced mainstream civil rights law for 23 years. He is a practical problem solver, as attested to in tributes from opposing counsel and people from both political parties.

Chairman HATCH has clearly indicated that he views Bill Lee as imminently qualified for the Assistant Attorney General position at Department of Justice. At Mr. Lee's nomination