

EXTENSIONS OF REMARKS

"THE FED IS MISTAKEN"

HON. BARNEY FRANK

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, March 20, 2000

Mr. FRANK of Massachusetts. Mr. Speaker, I continue to be very concerned that the Federal Reserve will unduly restrict economic growth by overreacting to the possibility of inflation, in the absence of any sign of it. Last week I introduced into the RECORD a very thoughtful analysis by Jeff Faux of the Economic Policy Institute, a liberal organization, refuting the Fed's analysis. Today, I introduce an article from a conservative thinker, Lawrence Kudlow, who disagrees with Mr. Faux on many points, but who agrees on the central issue that the Federal Reserve is threatening our prosperity unnecessarily by inaccurately portraying an inflationary danger in current economic trends. Unfortunately, the well deserved respect that people have for Mr. Greenspan and his record in office serves to diminish the healthy debate a democracy ought to have on the important questions with which the Fed deals. In fairness to Mr. Greenspan, it should be noted that he has not himself sought to discourage discussion, and indeed I believe he welcomes an open debate on these questions. I believe that the central thesis that Mr. Kudlow discusses here is absolutely accurate, namely that the growth we have been enjoying results from improved productivity, among other things, and does not carry with it the inflationary threats that some in the Fed see. In the interest of the sort of debate that we should be having on this central subject, I ask that Mr. Kudlow's analysis be printed here.

(By Lawrence Kudlow)

Alan Greenspan's harsh warnings that only substantially higher interest rates can slow down the economy are like an out-of-range cellular telephone call. They are disconnected from the reality of the new Internet economy.

Mr. Greenspan, the chairman of the Federal Reserve, has repeatedly warned that we are at risk of inflation and that "excess demand" must be curbed by a tighter credit policy. Trouble is, the superb performance of the economy disproves these fears. Over the past five years, rapid technological advances have generated 4 percent yearly growth while inflation has been at a minuscule 1½ percent. A virtually perfect scenario.

Yet Mr. Greenspan persists in conjuring up arguments that fly in the face of both actual evidence and established economic theory. Lately he has been seeing harm in the productivity gains that policymakers have sought for three decades. Overall productivity has grown an average of 3 percent annually in the United States; the industrial sector has increased productivity by more than 5 percent per year. All schools of economic thought—Keynesian, supply-side, even socialist—agree that productivity increases are always desirable.

The Fed chairman, however, now asserts that rising productivity is doing bad things,

fueling corporate profits and higher stock market prices. This, he warns, poses the threat of inflation caused by increased consumer spending.

So, in this tortured Alice-in-Wonderland logic, all that appears to be good is really bad. Real world statistical evidence, however, runs counter to this view. Despite the soaring stock market, consumer spending over the past five years increased by 35 percent, less than the increase in wages and salaries, which rose by 38 percent. The stock market then, has not induced consumers to spend above their means.

Also, a recent study by the Federal Reserve itself suggests that many investors in the bull market are actually saving more and spending less in order to reap greater retirement benefits. Indeed, it was during the 1970's, when inflation was high, that consumption went up faster than wealth. During the 1980's and 1990's, when inflation was low, wealth rose faster than consumption. And this wealth led to a spectacular surge in investment, providing more factories, equipment and services that can keep up with demand.

Indeed, the very success of Mr. Greenspan's own anti-inflation policies has fostered the productivity-driven prosperity that he is now in danger of curbing. Declining inflation puts more money in the pockets of workers, investors and entrepreneurs. As a result, the efficiency of employers and employees has improved markedly. The entire economy has been retooled for global competitiveness.

Most vexing, however, is Mr. Greenspan's apparent refusal to acknowledge that inflation really is caused by too much money chasing too few goods. In speech after speech—warning of potential inflation threats—the central banker never, ever mentions the word money.

If the money supply were excessive, the dollar's exchange rate would decline, gold prices would increase and long-term interest rates would rise—all market signals of future inflation. But today, the dollar is strong, gold is weak and long-term Treasury rates are falling, telling us that the Internet is more important than the Fed.

Technology has fought inflation much more successfully than the Fed ever could. Let's look at recent technological breakthroughs: computer chips that break the gigahertz speed barrier of one billion cycles per second, new molecular electronic chip-making systems, new open access to broadband cable transmission systems, and new business-to-business auction websites for low-cost manufacturing supplies and parts.

They all promote faster economic growth at lower prices without any help from the Fed.

But Alan Greenspan doesn't seem to appreciate these developments. And in this sense, the Fed is stuck in the old era—it thinks we still have a smokestack economy as opposed to the new Internet economy.

The Fed keeps trying to pour old wine into new bottles. This won't work, and it might do considerable harm. If it goes too far, and raises interest rates too high, that will surely undermine this prosperity.

Here's a better idea for Greenspan and Company: If it ain't broke, don't fix it.

HONORING THE 183D ANNIVERSARY OF THE MT. ZION A.M.E. CHURCH IN COLUMBIA, PA

HON. GEORGE W. GEKAS

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, March 20, 2000

Mr. GEKAS. Mr. Speaker, I rise today to recognize the 183d anniversary of the Mt. Zion A.M.E. Church in Columbia, PA.

Early church records indicate that the establishment of the first Meeting House for African-Americans in Columbia, PA was created in 1817. At their location, African-Americans had a place to worship, meet and discuss their daily lives, and also plan strategies for others to escape to freedom through the Underground Railroad. The establishment was expanded in 1823 by a group of emancipated slaves from Virginia, and subsequently formed the first Methodist Church. This small, yet thriving church, located on N Avenue, was used as a place of worship until 1832. The church and the preceding structures were the beginning of the present Mt. Zion A.M.E. Church in Columbia, Pennsylvania.

During the pastorate of Reverend Stephen Smith, a small frame church was purchased on the corner of J Avenue and Church Avenue. Sadly, this church burned to the ground in 1840. A brick structure was built in its place, which served the congregation until 1862. After 1862, a new building was secured at the south corner of N Avenue and Fifth Street. This structure was used as a church for 10 years, and then was turned over to the Columbia School District to be used as a school for African-American children. This building later became the Harvey T. Mackle American Legion Home.

The present site of Mt. Zion A.M.E. Church was founded in 1872. A large brick church, built under the pastorate of Rev. George M. Witten, was located adjacent to the south corner of N Avenue and Fifth Street. Tragedy again struck in 1921 when the church was destroyed by fire. The present structure, which remains today, was rebuilt with the help of the African-American community.

Throughout the years, many devoted pastors, their families, church members, and community friends provided the leadership and sacrifice that enabled the Mt. Zion A.M.E. Church to survive, continue, and operate to this magnificent time and place in history. The members and friends of the Mt. Zion A.M.E. Church celebrate the momentous 183d anniversary under the current leadership of Rev. Charles McAllister and Rev. Patricia McAllister.

Mr. Speaker, I again want to congratulate the Mt. Zion A.M.E. Church in Columbia, PA for their 183d anniversary, and wish their members and family the best of health and happiness in the years to come.

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