

one's injuries, and one does not get a penny.

Mr. Speaker, the Senate GOP bill values the financial well-being of the HMO more than it values the well-being of the patient. That is only part of the reason why I say that Senate GOP bill is an HMO protection bill, it is not a patient protection bill.

Mr. Speaker, we can do a lot better than that. The House did a lot better than that. It passed the Norwood-Dingell-Ganske Bipartisan Consensus Managed Care Reform Act of 1999. Mr. Speaker, we better do better than that Senate GOP bill, because the voters are watching; and because their friends and family members are being injured by HMOs, and we need to fix this.

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FEDERAL RESERVE MONETARY POLICY: IS GREENSPAN'S FED THE WORLD'S CENTRAL BANK?

The SPEAKER pro tempore (Mr. HUNTER). Under the Speaker's announced policy of January 6, 1999, the gentleman from Washington (Mr. METCALF) is recognized for 30 minutes.

Mr. METCALF. Mr. Speaker, the topic of my speech tonight is Federal Reserve monetary policy: Is Greenspan's Fed the world's Central Bank?

Some years ago, William McDonough of the Federal Reserve Bank of New York stated the most important asset a central bank possesses is public confidence. He went on in that speech to note that, "I am increasingly concerned that in a democracy a central bank can maintain price stability over the intermediate and long term only when it has public support for the necessary policies."

Public confidence here can only mean the confidence of the Members of Congress in our oversight capacity. Most of the American public, to this very day, have not the least interest in, awareness of, or knowledge of the Federal Reserve System, our central bank. But most Members feel that Allan Sproul, another former president of the New York Federal Reserve Bank, was quite correct in his letter, still quoted by Fed officials, that Fed independence does not mean independence from the government but independence within the government.

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In performing its major task, the administration of monetary policy, the Federal Reserve System is an agency of the Congress, set up in a special form to bear the responsibility for that particular task which constitutionally belongs to the legislative branch of government."

Clearly, that form of argument appeals to most Members today. The construct is a masterpiece not just for being true, Congress did abdicate its enumerated powers, but for letting even those of us responsible for oversight off the hook: The Treasury does not rule the Fed, the White House does not rule the Fed, but this Congress does not write the script either.

The current Fed chairman, Alan Greenspan, will soon testify before this House expressing his independence. As the journal *Central Banking* recently noted regarding the Fed, "It has acquired an air of sanctity. Politicians hesitate to bait the Fed for fear of looking stupid." As a result, still quoting, "the Fed's accountability is less than it appears. The Fed is always accountable in the sense that Congress could bring it to heel if it really wanted to."

And the Fed has not done too badly in some areas, as the economy demonstrates, most notably where inflation and interest rates are today resting. Whether they remain even close to where they are come a year or two from now may indeed be an all together different story.

Mr. Greenspan has been pretty clear about what is now important in Fed policy. Let me quote from some past testimony: "The Federal Reserve believes that the main contribution it can make to enhancing the long-term health of the U.S. economy is to promote price stability over time. Our short-run policy adjustments, while necessarily undertaken against the background of the current condition of the U.S. economy, must be consistent with moving toward the long-run goal of price stability."

The reality is that monetary policy can never put the economy exactly where Greenspan might want it to be. He knows full well that supply shocks that drive up prices suddenly, like the two major oil shocks of the 1970s, are always going to be with us, and more so than ever as the process of globalization continues to transform the world's economies. And the United States Federal Reserve is leading this global transformation. Some are quietly arguing, over lunch mostly, that Greenspan is in charge of what he may already believe to be the World Federal Reserve, the World Central Bank.

There is good reason to suggest this. As Robert Pringle noted some time ago in *Central Banking*, "Central banks, rather than governments, are laying down the rules of the game for the new international financial system. The Fed is in the lead."

Pringle went on to argue, and I am quoting him at length here, "If the Fed's record during the debt crisis and in exchange rate management is mixed, most observers would give it full marks for the way it dealt with the stock market crash of October 1987. It is not clear that the verdict of history will be as favorable. After being prodded into action, some central banks, notably those of Japan and England, went on madly pumping money into the system long after the danger had passed, creating an unsustainable boom and reigniting inflationary pressures."

"Well, the Fed can hardly be blamed for that. The real problem was that Greenspan's action risked creating the expectation among investors that the Board of Governors would support U.S.

stock markets in the future. Clearly, the action was prompted by the need to protect the banks from the risks to which they were exposed to firms in the securities markets.

"Equally, this support signalled an extension of the central banks' safety net to an area of the financial system where investors are traditionally expected to bear the risks themselves. It is no accident that after 1987 the bull market really took off, and it has never looked back."

I have quoted this section in the article by Robert Pringle that appeared in *Central Banking* because we are hearing the very same fears expressed today, though quietly, over lunch, by phone, by rumor, by investors and money managers throughout the U.S. Not too long ago former Fed chairman Paul Volker strongly suggested that our current boom is driven almost exclusively by the major international firms in the high-tech industry and the 40 industrials. Clearly, this is due to the fact that these few giant monopolies dominate the world market. Therefore, this boom reflects less what is happening here in America than what is going on in the world to these few monopolies' financial benefit.

I am not entirely complaining. Where these few giant firms are concerned, some American workers do benefit. But more foreign workers benefit than American. More investors and owners benefit than workers; more very wealthy individuals than the middle class bedrock.

My problem is that Greenspan's Fed seems to believe money does not matter; that we can create vast sums of cash and pump it into financial markets at will, manipulate the Adjusted Monetary Base to even greater height or plummet to the depths. All this is done toward long-term price stability? Has Greenspan so rejected Milton Friedman's theory that to do so one guarantees inflationary pressures in the road ahead along with savage corrections when actions become necessary by, once again, the same Fed?

Can Greenspan seriously argue the Fed has not created the worst bubble in history; the worst speculation ever witnessed, with millions of day traders gambling their small fortunes on meek wills, wishing to become, each of them, another Bill Gates? Clearly, Greenspan has sent a signal once again to investors that the stock market bears no risk for the middle class citizen.

During 1995, it was Mexico's turn again, and as Pringle pointed out, "The American administration panicked. Again, the Federal Reserve was there to help, even though there was less reason for central banks to get involved than in 1982, since there was less risk to the international banking system."

And as Pringle goes on to state, "Again, European bankers were annoyed at the lack of consultation. You do not need to be a populist politician to expect that Wall Street was calling the shots, especially with former senior

partner of Goldman Sachs, Robert Rubin, as U.S. Treasury Secretary."

We have witnessed some rather disturbing policy stratagems in just, say the last 10 months or so. Greenspan's Fed began around August and September of last year to expand the money supply, the Adjusted Monetary Base, from around \$500 billion to nearly \$625 billion, a \$70 billion runup, in anticipation of potential Y2K effects. This enormous expansion flowed directly into financial markets and helped create the enormous boom in stock prices prior to that year's end. The speculation was seen primarily in high-tech stocks.

Then comes the sudden and nearly precisely the same spike downward of the same Adjusted Monetary Base right after the year ends and year 2000 begins. There are no problems with Y2K. This spike downward lasted until about April of the year 2000. We know the savage corrections the stock market displayed, and there were more losers than winners. All we ever hear about are the winners, not the thousands or millions of losers.

And why do we hear so little about the losers in the media? Because, so the argument goes, the market returned almost to normal. The market bounced back, so the argument goes. Certainly, as the Fed began once again to pump up the monetary base around April. But the losers remain losers, and lost homes, businesses and bankruptcies continue to reach all-time highs; personal debt, especially credit card debt and equity finance debt, have reached unheard of levels. This is the speculation? No, let us call it what it really is: Gambling. This is the gambling that is today our U.S. stock market.

We will not hear the White House complain. Only praise for Clinton's appointee shall be sounding out, ringing out the bell in praise for White House management of the economy. We will not hear that from the very speculative bubble created during the last 6 months of 1999. We will not hear that from the quickest investors, who took their profits before the inevitable downturn and before the corrections came.

Investors paid handsomely for their gains in capital gains taxes levied. It is no surprise to Fed watchers that the taxes collected from capital gains nearly equaled the much-hailed government surplus, which Clinton soberly explained was due to his wise leadership of the economy. If the surplus was really generated by the wise leadership of the White House, why has the government's debt not been going down? And we should not confuse the government debt with some mythical balanced budget.

For a Federal central bank, the concentration of power at the top is very marked. True, although the Board of Governors sets the discount rate and reserve requirements, the execution of monetary policy on an ongoing basis is

decided by the larger 12-member Federal Open Market Committee. But the FMOC brings only five voting Reserve Bank presidents, to which the New York bank is always one, leaving the Washington governors in the majority. And the influence of the chairman alone can be sometimes near to overwhelming.

On an historical note, and I taught history and government, so forgive me, Congress insisted on scattering 12 Federal Reserve banks across the country when the system was devised so the east could not restrict credit elsewhere. Interestingly, these regional Feds were chartered as private institutions in which local banks owned all the stock. That is still true today, with the outside directors on the board of a Federal Reserve a mix of representatives from small and large member banks in the district, as well as representatives from industry, commerce and the public.

What was intended here was a sort of balancing; three bankers with six nonbankers on each Federal Reserve Board. Supposedly, this would put the lenders at a disadvantage to the borrowing classes, which would outnumber the lenders six to three. The boards choose the Federal Reserve Bank presidents, always from the lending class, but do so only with the approval of the seven-member Federal Reserve Board in Washington. Thus, we can readily see that bankers, lenders, clearly dominate the Federal Reserve System itself.

Even though at the regional Feds the distinction I just made is superficially valid, many of the nonbank directors are tied inextricably to banking itself, or sit on separate boards of directors where bankers rest as well. Nor is the public sector category so clear. Many nonindustry participants on these boards have close ties to banking and banking's network of consultants, academics and financial management roles clearly bank related.

Just how much power any one regional president has is still debated in inner circles. Previous efforts at restricting Reserve Bank presidents' powers have been dismissed on the grounds that their powers were a proper delegation of authority by Congress. Allowing that the Federal Reserve is a quasi-government agency, it remains the only government agency in which private individuals, along with government-appointed individuals, together make government policy.

I will repeat that. The only government agency in which private individuals, along with government-appointed individuals, together make government policy.

It remains a solid fact that these regional bank presidents cast extremely important votes on public policies that in the present as well as the future affect the economic lives of every American.

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Yet, and this is the point to my digression, they lack the public account-

ability because they lack the public legitimacy to be making these decisions, especially these kinds of decisions, some of whose recent effects I have just pointed out.

Nobody can deny any longer that the Federal Reserve system dominates the U.S. economy, that its decisions, more than even so-called market forces, a sham notion under managed competition in any case, affect everybody's lives and well-being, that within the decision-making process delegated to the Federal Reserve, the Board of Governors clearly dominates the process, that within that Board of Governors, the chairman, and this is not intended to single out Mr. Greenspan but to apply to all past and present and future chairmen, that the chairman dominates the board.

If all this does not concern this Congress, then history will record the result.

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TRIBUTE TO VETERANS OF PACIFIC THEATER IN WORLD WAR II

The SPEAKER pro tempore (Mr. HUNTER). Under the Speaker's announced policy of January 6, 1999, the gentleman from Guam (Mr. UNDERWOOD) is recognized for 60 minutes as the designee of the minority leader.

Mr. UNDERWOOD. Mr. Speaker, I am taking this opportunity for a one-hour special order to pay homage to the veterans of the Pacific Theater during World War II and especially for those who participated in the battles for Guam and Saipan as part of a conflagration sometimes referred to as the Marianas Turkey Shoot, one of the greatest naval victories during World War II.

On July 21, at the end of this week, the people of Guam will be celebrating the liberation of Guam. It is the day that commemorates the landing of the Third Marine Division on the shores of Asan and the First Marine Provisional Brigade supported by the 77th Army Infantry in Agat.

I want to send my greetings to the veterans of that conflict as well as to draw and honor and pay respect to not only the U.S. forces who liberated Guam from Japanese occupiers but also to remember the people of Guam and the suffering that they endured during the Japanese occupation.

Japanese troops had earlier bombed and invaded Guam on December 8 and 10, 1941, as part of Japan's attacks on U.S. forces in the Pacific, including the attack, of course, on Pearl Harbor and on the Philippines, both areas having also significant U.S. forces.

This commemoration, which I do annually and which is marked by a laying of the wreath at the Tomb of the Unknowns, which I did last week, will honor the American veterans and remember the sacrifices of the people of Guam and will serve as a tribute for the necessity for peace. For it is only in the remembrance of the horrors of