FEDERAL RESERVE BOARD MEETING

Mr. DORGAN. Mr. President, a meeting started 1 hour and 5 minutes ago at 20th Street and Constitution Avenue here in Washington, DC. The Federal Reserve Board is meeting in a large room in a building that takes up nearly the entire block.

No one in this Chamber is allowed at that meeting. No ordinary American citizen is allowed at this meeting. The door is locked. They are meeting behind closed doors at the Federal Reserve Board to decide how much they want to raise interest rates once again.

I think it is important to allow people to see who is meeting. Here are the pictures of the folks at the Fed—the Federal Board of Governors. The ones with the stars are the regional Federal Reserve bank presidents who will make the decision this morning.

They increased interest rates last June, in August, in November, in February, and again in March. In North Dakota, in Idaho, in Illinois, and in California, the average American household is now paying $1,200 a year in additional interest charges as a result. If you have a $100,000 mortgage, you are paying $100 a month more for your mortgage payment. Why? Because the Federal Reserve Board feels that too many people are working in this country and that our economic growth ought to be slowed.

If you ask them about the circumstance, they would say: We really have controlled inflation; it is because we have increased interest rates that inflation has been under control.

That is like the weatherman taking credit for the sunshine. The fact is, this economy has worked in spite of the Federal Reserve Board.

This Federal Reserve Board, under Mr. Greenspan's tutelage, has added nearly a three-quarters of 1 percent increase in the real Federal funds rate during his term versus the 20 years prior. It has added nearly a two percent increase in the real prime rate during the Greenspan years versus the prior years. They have leaned and tilted their interest rate policies towards the big banking center interests, and against the consumer's interest and against the taxpayers' interests.

By what justification would they increase interest rates this morning? This morning the Consumer Price Index came out. It is flat; plumb flat. The Producer Price Index from last month was down. The core inflation rate is down.

By what justification will the Federal Reserve Board decide to charge higher interest rates on the American people? They say, in a Washington Post article by John Berry, that the new theory of the Fed is that if worker productivity is up in this country, it puts pressure on the economy, and, therefore, they should raise interest rates to slow down the economy.

What a prosperous notion. It used to be when I came to the floor and indicated that the Fed complained workers were getting more money, or there was a threat that they would get more money but their productivity wasn't rising, the Fed used to say that is inherently inflationary. Now what they say is that it doesn't matter how productive they are; in fact, the more productive they are, the more likely it is the Fed wants to raise interest rates.

Talk about people flying blind. I learned to fly an airplane about a quarter century ago. I remember that as you do your solo cross-country flying the airplane, you have to learn to rely on instruments. How do you know where you are going? You have to read your instruments? The fact is, the Federal Reserve Board doesn't have instruments that work anymore.

To the extent you could picture a group of bankers in gray suits and wearing goggles, with a leather helmet and a silk scarf—to the extent you could picture them flying and flying blind—I respectfully say they are flying in the wrong direction and are perfectly happy to do so even when told.

The thing that I find interesting is this: We have an economy that has been remarkably strong. The Fed has been remarkably wrong all along. They have said our economy cannot grow more than 2½ percent, and if it does we are going to have more inflation. It has and we haven't.

They have said that unemployment can't go below 6 percent. If it does, we will have more inflation. Unemployment has been below 6 percent for 5 years, and inflation has been down.

The Federal Reserve Board has been wrong about the performance of this economy. Yet as they write about the Fed, they simply take what the Fed says, print it, and they print no discussion about the alternatives. So we have no real debate about this.

The interesting thing is 30 years ago a one-quarter percent increase in interest rates proposed by McChesney Martin caused an outcry in this country. It was front-page headlines. Lyndon Johnson was President. He called this guy down to the ranch in Texas and put pressure on him all the weekend. It was front-page news. Today the Fed can go behind closed doors and raise interest rates one-half percent, and nobody seems to mind.

All of these chairs are largely empty in the Senate. I wonder where people are. What if someone were to bring to the floor of the Senate a proposal that said, what we would like to do is increase taxes on the average household in this country by $1,210 a year. If there were a proposal to increase taxes in the amount of $1,210 a year, all of these chairs would be full. There would be a raging debate, and all of the folks would come to the floor to talk about taxes. They would be hollering and bellowing.

But guess what. You can increase interest rates five, six, or seven times by the Federal Reserve, and impose an additional $1,210 a year interest charge on the average household, and there is not a whimper.

Again, let me give credit where credit is due. All of these folks look alike. They largely think alike. All of them wear gray suits. All of them have a banking background. When they close the doors and lock the American citizens out down at the Federal Reserve Board, they are going to make a banking decision.

What is the banking decision? They increase interest rates on the American people in order to protect the big banking center interests.

The point is this: There is no inflation. There is no evidence of inflation.

It is going to be uncomfortable for the Fed. But of course they do not deal with comforts. Once they close the doors, they have all the comforts at hand.

Just this morning the Consumer Price Index was announced, and it is flat; no inflation.

Just this morning—a little over an hour ago—they went into the room, closed the doors, and locked everybody else out. Guess what they are going to decide. They will announce that they have decided, despite the fact there is no inflation, because American workers are more productive that justifies an increase in the interest rates.

Why if the American worker is more productive should the American worker not be entitled to a better share of income? Of course, they should. That is not inflationary. But the Federal Reserve Board has now concocted this goofy new theory that says if the American worker is more productive, they must impose an added charge on the average American.

You talk about people who can't think. I don't understand. Maybe they need to loosen all those neckties. But there is something wrong at the Fed.

I would be happy to yield for a question.

Mr. HARKIN. I thank the Senator for yielding. I thank him for bringing us back to this point about the Fed behind closed doors. When they raise the rates, this is really a hidden tax, is it not, I ask the Senator.

Mr. DORGAN. It certainly is, and it is a tax that was not a part of any public discussion and imposed in a room with the doors locked.

Mr. HARKIN. No representation for the American people.

Mr. DORGAN. No representation.

Mr. HARKIN. I want to ask the Senator another question. The decisions they make today are behind closed doors. Does the Senator know how long it will be before we will be able to look at the detailed books to find out why they made those decisions? I will answer it. It will be 5 years before we will fully know why they made the decisions. Maybe if we knew tomorrow, or next week, or next month why they made the decision, we might want to make some changes around here in the way we operate. They make the decisions, and we will not know the full picture for 5 years why they did it.

Mr. DORGAN. We will know in 5 minutes that it was a mistake. If these folks at a time when there is no additional inflation raise interest rates once again to try to slow down this economy and penalize the American workforce for being more productive, we will know in 5 minutes that is a mistake.

I hope with this announcement that will apparently be made at about 2 o'clock this afternoon this group of folks perhaps might exhibit some good sense for a change.

Mr. HARKIN. I thank the Senator.

Mr. DORGAN. I yield the floor.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, as I understand it, we are in morning business, and we have some 22 minutes remaining.

The PRESIDING OFFICER. The Senator is correct.

The Senate is in morning business.

The Senator from Massachusetts is recognized.

THE SENATE AGENDA

Mr. KENNEDY. Mr. President, I yield myself 7 minutes, the Senator from Minnesota, 7 minutes, and the Senator from Iowa, the remaining time.

First of all, I join with our colleagues who spoke earlier about the extraordinary events we saw on The Mall this past weekend.

I was here a few moments ago when we listened to the majority leader talk about the urgency of passing a comprehensive energy program. Energy programs are important, and we have a great interest in it in our part of the country, particularly as we are looking forward to another fall and another winter, and the importance of developing some protections in the form of reserves and other factors. That is a very important policy issue. I am glad our Republican leader thinks that is of such urgency.

But the fact is, the issues which the Senator from California and others have spoken about, and taking sensible and responsible and commonsense actions on guns, particularly to ensure greater safety and security in the schools of this country, are also a matter of enormous importance.

I am reminded of the debate we had on elementary and secondary education. We had 6 days of debate, although some of that was limited in terms of being able to debate only a handful of amendments. We took 16 days on the bankruptcy bill and had 67 amendments.

Many of us on our side believe we ought to put our priorities straight. One of them is to take action in terms of sensible and commonsense issues on the proliferation of guns.

Second, we ought to be addressing the education issue, which is of such importance to families across this country.

We reject the position of the majority in giving short shrift on the issue of education. We want to debate that, and we want action on it.

BANKRUPTCY REFORM

Mr. KENNEDY. Mr. President, I want to bring to the attention of the Senate the continued deterioration of the position which had been accepted previously by the Senate on the issue of bankruptcy.

That may seem an issue that is distant and remote to many of our colleagues or many around this country, but it is an issue that will affect basically working women who are disproportionately hit by the pressures of bankruptcy because of the allocations of credit at the time of separation or their shortage of alimony or the shortage of child payments. It hits them disproportionately.

It hits older workers disproportionately in terms of their medical bills. About half of those bankruptcies are a result of the escalation and the costs of medical bills, coupled with the fact of prescription drug costs and the shortage of prescription drugs. That is another matter of priority. That is another matter we believe ought to be addressed. The failure of this body to address providing decent quality prescription drugs on the basis of need and on the ability to pay is also a major gap in our Medicare system. We should be taking action on that. When we don't, we find increasing numbers of individuals are falling into bankruptcy because they can't afford the prescription drugs. The credit cards last for only so long, and the payments they receive in terms of working families last only so long, and then they get overwhelmed with their payments and they go into bankruptcy.

There is a third group of individuals who go into bankruptcy as a result of being downsized. They worked hard all of their lives. The people who go into bankruptcy have the same work habits as those who do not. The overwhelming majority are hard-working Americans who fall into hard times.

As has been stated time and time on the floor of this body, it is always useful to ask who is going to benefit from a piece of legislation and who is going to pay a price with the passage of a piece of legislation. I have not seen in this Congress or any recent times the scales so unbalanced. Those that are going to benefit are going to be the credit card companies, banking interests; those harshly treated will be average working Americans who have fallen into difficult times, either economically or because of health care needs or because of age and the job challenges they are facing.

Only recently there was an excellent article in Time magazine. The total number of individuals going into bankruptcy is declining. Still, we have this economic power that is trying to jam this legislation through the House of Representatives and the Senate of the United States behind closed doors. I was listening to my colleagues talk about actions taken behind closed doors. They find out on the bankruptcy legislation these are matters that are taking place behind closed doors as well.

The Time magazine article pointed out what is happening to an average family. Charles and Lisa Trapp are mail carriers in Plantation, FL, where Annelise, 8 years old, developed a muscular disorder and needed around-the-clock nursing care. Lisa had to quit her job, and with $124,000 in doctor bills, insurance will not cover paying off credit cards, which is the least of their worries. They have filed for chapter 7 bankruptcy. The medical costs are what the Trapp family insurance did not cover. They had to use credit cards to buy groceries and they have an accumulation of $59,000 in credit card bills. The point is, they used the funds available on the credit cards for their groceries so they could use what income they had to pay for the needed prescription drugs.

This family, under this Republican bill, is treated harshly and poorly. The Trapp family are a brave and courageous family. And this situation is being replicated. It is fundamentally wrong.

Mr. President, for over two years, Congress has been struggling to reform the bankruptcy laws. From the beginning, the debate has been unfairly slanted toward the credit card companies and banks at the expense of vulnerable Americans. It is especially disturbing that the final bill may well be drafted without the appointment of conferees or even public meetings. The American people deserve a better process and a fairer bill.

A fair bankruptcy reform bill will balance the needs of debtors and creditors. It will not allow credit card companies and other special interests to take unfair advantage of thousands of citizens who find themselves in economic crisis—citizens like the Trapp family recently featured in Time magazine.

The Trapps are not wealthy cheats trying to escape their financial responsibilities. They are a middle class family engulfed in debt because of circumstances beyond their control. Like half of all Americans who file for bankruptcy, the Trapp family had massive medical expenses.

Charles and Lisa Trapp met while working as mail carriers in Plantation, Florida. They married and have three children—the youngest, Annelise, has a degenerative muscular condition. She requires round-the-clock medical care. In her wheel chair or in bed, she uses a respirator at least eight hours a day. As a result, the Trapps have $124,000 in doctors' bills that insurance won't cover, and $40,000 of credit card debt for groceries and other necessities.

The plight of the Trapp family is similar to that of many other American families confronted with serious illness and injury. Over 43 million