

the key to all success—to get the government to pay for it.

Francis Scott Key, he was there on the ship in the Chesapeake Bay on September 14, 1814, in part of the War of 1812, which was when the British unmercifully bombed that small Fort McHenry. In the morning light, he saw our flag. The fourth verse of what is now our national anthem is:

“Oh! thus be it ever when freemen shall stand between their loved home and the war’s desolation!

“Blest with victory and peace, may the heaven rescued land praise the Power that hath made and preserved us a Nation.

“Then conquer we must when our cause it is just, and this be our motto: ‘In God is our trust.’

“And the star-spangled banner in triumph shall wave o’er the land of the free and the home of the brave!”

I want to conclude with one other historic reference from the Supreme Court, itself, back when the Supreme Court did not believe that the Constitution was a living, breathing document that would be subject to the whims of people appointed who brought their own biases to the Supreme Court and twisted it and turned it into whatever document pleased them.

I am also thankful to God that we have had some incredible Justices on the Supreme Court who believe the document called the “Constitution” was exactly as the Founders intended. It is not a living, breathing document that can be molded like silly-putty around somebody’s fingers and whims.

In 1892, the Supreme Court said this in the Church of the Holy Trinity vs. The United States:

“No purpose of action against religion can be imputed to any legislation, State or national, because this is a religious people.” This is historically true. “From the discovery of this continent to the present hour, there is a single voice making this affirmation. The commission to Christopher Columbus recited that it ‘is hoped that by God’s assistance some of the continents and islands in the ocean will be discovered.’

It goes on to read:

“The First Charter of Virginia, granted by King James, I in 1606, commenced the grant in these words:

‘In propagating of Christian religion to such people as yet live in darkness, language of similar import may be found in the subsequent charters of that colony in 1609 and 1611’; and the same is true of the various charters granted to the other colonies.

“In language more or less empathetic to the establishment of the Christian religion, declared to be one of the purposes of the grant, the celebrated compact made by the pilgrims on the Mayflower, in 1620, recites:

‘Having undertaken for the glory of God and advancement of the Christian faith a voyage to plant the first colony in the northern parts of Virginia the fundamental orders of Connecticut

under which a provisional government was instituted in 1638 and 1639 commenced with this declaration:

‘And well knowing where a people are gathered together the Word of God requires that to maintain the peace and union there should be an orderly and decent government established according to God to maintain and preserve the liberty and purity of the gospel of Our Lord Jesus, which now profess of the said gospel which is now practiced amongst us.’”

The Supreme Court went on and concluded that these, and many other matters that might be noticed, add a volume of unofficial declarations to the mass of organic utterances that this is a Christian Nation.

It may not be now, but it started that way.

Mr. Speaker, just as Martin Luther King felt a calling as a Christian minister and just as Lincoln did in ending slavery, we owe so much to the religion of Christianity that everyone can worship or not as they wish.

With that, I yield back the balance of my time.

#### APPOINTMENT OF MEMBER TO CONGRESSIONAL-EXECUTIVE COMMISSION ON PEOPLE’S REPUBLIC OF CHINA

The SPEAKER pro tempore. The Chair announces the Speaker’s appointment, pursuant to 22 U.S.C. 6913 and the order of the House of January 5, 2011, of the following Member of the House to the Congressional-Executive Commission on the People’s Republic of China:

Mr. WALZ, Minnesota.

#### APPOINTMENT OF MEMBER TO DWIGHT D. EISENHOWER MEMORIAL COMMISSION

The SPEAKER pro tempore. The Chair announces the Speaker’s appointment, pursuant to 16 U.S.C. 431 note and the order of the House of January 5, 2011, of the following Member of the House to the Dwight D. Eisenhower Memorial Commission:

Mr. BISHOP, Georgia.

#### COMMUNICATION FROM THE DEMOCRATIC LEADER

The SPEAKER pro tempore laid before the House the following communication from the Honorable NANCY PELOSI, Democratic Leader:

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, DC, October 14, 2011.

Hon. JOHN BOEHNER,  
Speaker of the House, U.S. Capitol, Washington, DC.

DEAR SPEAKER BOEHNER: Pursuant to Section 1002 of the Intelligence Authorization Act for Fiscal Year 2003 (P.L. 107-306) as amended by section 701(a) (3) of the Intelligence Authorization Act for Fiscal Year 2010, I am pleased to appoint the following individuals to the National Commission for the Review of the Research and Development

Programs of the U.S. Intelligence Community.

The Honorable Rush D. Holt of New Jersey Ms. Samantha Ravich of Clark, New Jersey Ms. Ravich is appointed at the recommendation of Speaker John Boehner to ensure there is an appropriate ratio of Republican and Democratic appointees serving on the commission.

Thank you for your consideration of these recommendations.

Sincerely,

NANCY PELOSI,  
House Democratic Leader.

#### THE FEDERAL RESERVE

The SPEAKER pro tempore. Under the Speaker’s announced policy of January 5, 2011, the gentleman from Massachusetts (Mr. FRANK) is recognized for 60 minutes as the designee of the minority leader.

Mr. FRANK of Massachusetts. Thank you, Mr. Speaker.

I intend to talk about the Federal Reserve, but preliminarily, having listened to my colleague from Texas, I did want to note a little bit of a dissent.

He cited Queen Isabella of Spain and King James of England for having decided what kind of country we should be. Now, the question of the religious nature or not is obviously a legitimate one to debate, but I was a little surprised to be told that I was to be in any way bound by what Queen Isabella or what King James said hundreds of years ago. I thought one of the purposes of the American Revolution was to tell European monarchs that we would here in America make our own choices.

But I want to talk today about the Federal Reserve and particularly, frankly, about my disappointment in a debate, I guess, I’ve been having—it’s been kind of one-sided because he’s never spoken to me—with Mr. George Will.

I know it’s common advice to Members of Congress and to other political leaders not to get into an argument with the people in the media. I think that’s a great mistake. I think that respect for openness and democracy should make this a two-way street and that the notion that responding to criticism in the media that’s inaccurate is somehow inappropriate or hypersensitive is a great mistake. What I would have looked forward to was a debate, with probably Mr. Will and others, about the Federal Reserve.

I did file legislation last April to change the structure of the Federal Reserve’s Open Market Committee, which votes to set interest rates to the extent that we can, and it now consists of the seven appointees to the Federal Reserve Board of Governors who are appointed by the President and confirmed by the Senate—people selected in that democratic way but with 14-year terms to guarantee some independence. They are Presidentially appointed and confirmed by the Senate, but they serve for 14 years so that there is not, presumably, the chance for one President

to get everybody. There are built in some staggered terms there.

□ 1530

But there are also five votes that are cast by regional presidents at the Federal Reserve Bank. These five people—it's on a rotating basis. The New York president always gets it. Four others out of the remaining ones go on periodically. These are people helping setting the most important public policy in America: monetary policy, interest rates.

But they come with nothing remotely resembling public participation in the process. They are selected by the Federal Reserve boards of directors, which they in turn have largely selected; and those boards, not surprisingly it's the Federal Reserve regional system, are marginally people, more than anyone else, in the financial community.

Now it's very important for people in the financial community to be represented, and I am very glad that the regional presidents come to the meetings and should be allowed to speak, be encouraged to speak. But having people who are appointed by bankers, who then appoint new bankers to appoint new people, be 5 of the 12 votes in setting monetary policy I believe violates democratic norms.

I think it also gives a bias against the mandate the Congress has given the Federal Reserve—it's not been changed—to worry equally about inflation and unemployment, because, and the record shows this, the regional bank presidents tend to be concerned more, on the whole, about inflation than an appointment. They don't regard the two as equal. That's not surprising given whom they represent. That's a legitimate argument for debate. And I filed legislation last April to leave the regional presidents in the position of speaking but not voting.

Mr. Will differed with that, and I look forward to a debate. Mr. Will does not agree with Mr. Bernanke's policy of trying to respond to our economic troubles by increasing the availability of money, the quantitative easing. Mr. Will is apparently on the side of people who have been proven to be quite wrong factually that this is going to lead to inflation.

Mr. Bernanke's policies have, in fact, I think helped alleviate the crisis—although not doing as much as we would like, because there are limits to what monetary policy could do. Contrary to predictions, they are not costing the Federal Government money; they haven't led to inflation. I would be glad to debate that with Mr. Will. But instead he engages in a kind of snarkiness that I found unbecoming. I had thought Mr. Will to be someone who was committed to intellectual debate, but that simply wasn't there in his approach.

Let me say, and I will document this, that his response in his column, and then in a follow-up column, basically

seemed to me to be a sad combination of blatant factual inaccuracy, of logical confusion, and, sadly, I must say, of intellectual dishonesty, and, finally, great inconsistency.

Let me begin with the factual inaccuracies.

Mr. Will's thesis in this column is that I filed that bill largely because I did not agree with a vote last summer of the Federal Reserve open market committee, 7-3, in favor of Mr. Bernanke's policy. And it's true, I differed with those three. I agreed with the policy of the seven of the three, and I differed with the three. And here's what he says:

"Frank says he has 'long been troubled' from a 'theoretical democratic standpoint' by the 'anomaly' of important decisions affecting national economic policy being made by persons 'selected with absolutely no public scrutiny or confirmation.'"

That's absolutely right. I do think there is a shocking lack of respect for democracy when we are talking about fundamental powers given to people who are neither elected nor appointed and confirmed by other elected officials but are selected by a small, self-perpetuating group of people who want particular economic segments. I'm ready to debate that.

But here's what Mr. Will suggests, basically, that I was not really bothered by that. I notice that he is sort of denigrating my formulation here because what he says is, "It was not, however, until August that this affront to Frank's democratic sensibilities became so intolerable that he proposed a legislative remedy." Such snarkiness about democratic sensibilities that seem to be unbecoming to Mr. Will. But here's his fundamental point: That while I said I was troubled because we shouldn't be giving a self-selected group of private citizens of a particular economic interest governmental power, that that was sort of a cover, he's suggesting, because they didn't do anything about it until August when the vote had taken place.

There's one problem with that, Mr. Speaker. I did it in April, not August. The bill had been filed in April and I publicized it in April. It is true that in August I put out a statement noting that this 7-3 vote was an indication of what I thought was a result of having this undemocratic element. But Mr. Will's fundamental refutation of my position was that I wasn't really concerned about democracy and public participation or having a kind of guild socialism that I would have thought he would have been opposed to, of having the guild of bankers be the ones who set public policy for the banks. He said it wasn't until August that I did this, but I did it in April, and he was flatly wrong.

Now, he didn't know that I did it in April instead of August because he didn't talk to me. He didn't think it was necessary, given his lofty philosophical position, to do any fact check-

ing, and he was simply wrong. And he was not just wrong about it being April instead of August, which is not a minor error. It's fundamental.

By the way, I said "intellectual dishonesty." Let me explain what I meant by that.

I wrote a letter to The Washington Post pointing out that while April and August both start with "A," they are, in fact, several months apart, and it was kind of hard to argue that I did something in April because I knew what was going to be happening the following August. So he was simply wrong, and that was central to his argument.

Here was his acknowledgment of error. It's a correction note to a recent column, and he says, "In a recent column, I suggested that Representative BARNEY FRANK's legislation to reform the Federal Open Market Committee was introduced in August, when in fact it was introduced in April." He suggested it. Here's how he apparently suggests things.

Quote, It was not until August that he proposed a legislative remedy.

It's doesn't sound like he said I suggested. He said I said it. But even more important, the fact that it was April and not August was a central flaw in his argument. He doesn't acknowledge that in his, I think, intellectually dishonest correction. He says, oh, I suggested August when it was really April, as if that was kind of almost an incidental error. But it wasn't an incidental error. It was fundamental to his misreading of my motives.

What was also an inaccuracy was his beginning the column by saying, "Fond of diversity in everything but thought, a certain kind of liberal favors mandatory harmony (e.g., campus speech codes)."

In other words, he began, that's when he led to saying I did this in August because I was so upset about this vote, that that's the only reason I did it, not because of any concern about democratic input. He, here, is saying that this was an indication of me as one of those liberals who is opposed to free debate, and I'm for campus speech codes.

Well, in fact, you couldn't be more wrong on that one either. I've been one of the Members of this House, I'm proud to say, most supportive of free speech. I have specifically opposed campus speech codes.

Again, this looks clearly as if this is just an example of the kind of mentality that leads meetings for campus speech codes. I have spoken against them. I have said that I do not think that the concept of hate speech is a reasonable one as far as the law is concerned. People can call it anything they want, hate speech, but, no, there shouldn't be any restrictions on it. There shouldn't be any laws against it.

I am very proud, along with my colleague from Texas Mr. PAUL and our departed colleague Mr. WU, we voted against legislation that would have prevented one of the great ranting

homophobes of our time, the Reverend Fred Phelps, from holding up vicious and obnoxious signs at the cemeteries of men and women killed in war as long as he did them so that he wasn't right in the cemetery grounds. We thought there was a free speech problem with this, and the Supreme Court agreed with us.

So Mr. Will is just again factually inaccurate and accusing me of being one of those people who is for stopping dissent. Once again, if he'd asked me about it, I would have told him, no, I have a record of opposing campus speech codes and that had nothing to do, disagreement with dissent had nothing to do with my position here.

And that leads me to his logical confusion. Those are his two great factual errors: his misdescription of me as being someone who is for campus speech codes and for curtailing speech, and his deciding that I did it in August when I did it in April, which invalidates his central thesis about my motive.

But even more shocking for me was this fundamental, logical confusion from Mr. Will, who, I had frankly expected better of in this context.

□ 1540

He conflates two very separate points. He says this is an example of my not supporting diversity of speech. I am totally for diversity of speech. This is not a case of free speech or diverse expression of opinions. This is a case of exercising government power.

I did not say that Federal regional presidents shouldn't be allowed to talk about Federal Reserve monetary policy or anything else. There was no restriction on their speech. The bill says that they shouldn't be given a vote on public policy.

I am frankly very surprised, as I said, that Mr. Will confuses the two and tries to denigrate my move to keep them from voting to make public policy as an example of being opposed to free speech. This is really quite surprising and an example, I think, of his just deciding he was going to use any argument that he could against it.

As a matter of fact, the Federal Reserve presidents are all invited to the meetings and can speak, even those who don't vote. And I'm all for that. And so this notion that this is somehow an example of liberal opposition of free speech, when I am someone who has a very good record on free speech, and when I am not in any way impinging on their right to speak, is a further disappointment.

Mr. Will clearly disagrees with the policies that Ben Bernanke is following. In the column, he suggests that my concern for protecting both sides of the Federal Reserve's mandate, unemployment and inflation, is misguided. He doesn't say that exactly, but he says, "The actual language of the mandate speaks of promoting 'maximum employment,' which is problematic: 'Maximum' means 'the highest attain-

able,' and this might depend on ignoring the other half of the mandate."

So he's sort of justifying people ignoring the employment mandate by saying the only way you can support it is to ignore the other half. That's not true. That's not supported by the record. That's not supported by logical analysis.

I'm prepared to debate with Mr. Will whether or not we should do what I think he really wants to do, which is go to a single mandate on inflation. A number of my conservative colleagues want to do that here and amend what we call the Humphrey-Hawkins Act, and do away with the Fed's concern about unemployment. I think that would be a great mistake.

I admire Mr. Bernanke because he has preached to us about the dangers of unemployment. He has pointed out that a decision to cut the budget very quickly right now rather than defer that for a later time in a 10-year period exacerbates the unemployment. He has called it a headwind for the economy. I welcome the fact that Mr. Bernanke, a George Bush appointee originally, has been so diligent in worrying both about inflation and about unemployment. And as Mr. Bernanke has pointed out, we have in fact been more successful in holding down inflation than in combating unemployment, and that I think is an appropriate thing. Again, I would be willing to debate that with Mr. Will.

But the tactics he uses of trying to denigrate my motives and falsely imputing to me an opposition of free speech, as I said is, I think, disappointing. I would have preferred to talk about this on the merits.

Mr. Will also is sneering in his reference to "cheap money." He talks about Mr. Bernanke's policy about "cheap money." That's, of course, one of these pejorative ways of talking about something that you disagree with. In fact, cheap money suggests that you are devaluing the currency. That hasn't been the case. I am prepared to debate, as I said, whether or not what Mr. Bernanke has done in quantitative easing has been good or bad. I think it has been good, and those who have been critical of it have been proven wrong factually. It hasn't cost the government money, and it hasn't led to inflation. But Mr. Will won't do that. It is, again, falsely setting up this notion in which I am an opponent of free speech, and that's why in August I decided to do this. I have been a great supporter of free speech. I did it in April and not August, and this isn't about free speech; this is about public policy.

And as I read the column in which Mr. Will wholly inadequately acknowledged his mistake by treating it as if it were almost a clerical error that he said August instead of April, I reread the column, and it struck me what a terrible inconsistency it is. This is a column in which he is attacking Elizabeth Warren. And he criticizes Ms. Warren on no basis factually once

again, and I don't think he has had much to do with her as I read this caricature of her, but he says in here: Many members of the liberal intelligentsia agree that other Americans comprise a malleable, hence vulnerable, herd. Therefore, the herd needs kindly, paternal supervision by a cohort of protective herders. And he says because such tutelary government must presume the public's incompetence, it owes minimal deference to people's preferences. This convenient theory licenses the enlightened vanguard, the political class, to exercise maximum discretion in wielding the powers of the regulatory state.

Mr. Speaker, he has just described the practice whereby bankers get to pick Federal Reserve presidents to vote on the open market committee. I don't know many people who believe that. That's Mr. Will's defense, in effect, and the point is this: he writes one column criticizing me, sneering in a way, at my objection to there being banker-selected votes on the open market committee on the grounds, among others, that this is, in my judgment, a violation of democratic norms. That's clearly not my real reason, and it's almost as if he understands why anyone would think that. In fact, here's Mr. Will, who on the one hand says these preferences are not really theirs. This convenient theory licenses the enlightened vanguard, the political class, to exercise maximum discretion. And it says that the public should not be able to do this.

So here's Mr. Will denigrating and attributing to liberals this notion that an enlightened vanguard ought to make the decisions as opposed to the public. That's what he says we think.

Here is Mr. Will in defense of the system by which it happens that I'm trying to change: Heavy representation of the economy's financial sector in the governance of the Central Bank does not seem bizarre. Oh, yeah, I think it is in the governance. In the discussion and the input of policy. So Mr. Will is critical of me because I did not think that the banks ought to be picking the people who vote on policy that is so central to the banks. That's his position when it comes to the Federal Reserve. But when he gets a chance to attack Elizabeth Warren unfairly, he takes exactly the opposite position. On the one hand, he is defending a kind of corporatist—I said the socialist, but it is kind of a corporatist position that, as he says, means "heavy representation of the economy's financial sector in the governance of the Central Bank"—he's for that, as opposed to my view that nobody should be voting on monetary policy who hasn't either been elected or appointed by people who are elected, preferably as I propose, not those directly elected, but with 14-year terms so you get the independents.

So I'm for a system in which, if you're going to vote on monetary policy, and if you're going to regulate the

banking system, you have this ultimate democratic input. He says no, let's have heavy representation of the economy's financial sector in the governance of the Central Bank. But then when it comes to, I don't know, consumer protection, he is accusing liberals of being the ones who are against the preferences of the public. He says, we, the liberals, believe that we owe minimal deference to people's preferences and instead governance should be from an enlightened vanguard. Well, the enlightened vanguard, in the case of the Federal Reserve, are the bankers.

So to make his particular substantive conservative point, Mr. Will is very flexible in his argument. I wish he would have simply said this: that he does not think—because I think this is what he believes, it sort of comes out here—that he doesn't think we should have the Federal Reserve equally concerned with employment and inflation. A number of conservatives think that. I think that's wrong. I think Ben Bernanke has been very helpful in doing both. I think that's been shown. The argument is that if you worry about employment, you'll sacrifice anti-inflation. In fact, it's the other way around. It's not a sacrifice, but we've been more successful in fighting inflation than with regard to employment. But that's a debatable issue.

Whether or not, given even in monetary policy you should have quantitative easing, whether in a time of severe economic slowdown the monetary policy ought to be eased, Mr. Will thinks that's "cheap money," and he sides with the three Federal Reserve presidents, apparently, who inaccurately predicted it would be inflationary. Again, those are legitimate policy decisions, but that's not what Mr. Will has done.

He has, just to summarize, inaccurately described my position as that of a liberal who is against free speech. I'm not. I have a record of which I am proud in defending free speech.

□ 1550

Free speech means, by the way, you defend the right of obnoxious people to say hateful things. Because if you're not an obnoxious person and say hateful things in this country, you don't try to shut them up. I do believe that free speech means that people should be able to do that. People should be able to say offensive things. And I've got a record of supporting it.

But he claims that it's because I don't like dissent in the sense of free speech that in August, after a certain number of votes on the Federal Open Market Committee, I introduced my bill. So he's wrong about my views on free speech. He's wrong. I did it in April instead of August. And he was forced to acknowledge that—it was such a blatant factual error—not by saying, oh, I made a mistake by making this assumption of his motives because I thought he did it in August, but

simply throwing it off as if it was kind of a clerical error.

Then, in the whole article he confuses free speech with government policymaking power. I am very much in favor of free speech. Everyone has a right in this country to unrestrained speech. Everyone does not have a right to exercise governmental power. To me, governmental power should be rooted in the democratic system.

Mr. Will disagrees with that with regard to the Federal Reserve because he wants bankers—he thinks it's fine for bankers to have that great role in government; but when he comes to attacking the liberalism in general, he suddenly reverts to the opposite position and he denigrates those who aren't ready to respect the people's preferences and is critical of those who want an enlightened vanguard to go forward.

I should add that he's not the only defender there who, sadly, to me, won't stand with legitimate arguments. There is a former Federal Reserve Governor Frederic Mishkin, who was very critical of my position that the regional president of the Federal Reserve ought to be able to speak on policy but not vote on it. What he says is, among other things, that this will cause a loss of prestige for the Federal Reserve system and you won't get good people to be there.

I am shocked at Mr. Mishkin's denigration of people in the Federal Reserve. He describes being the president of a regional Federal Reserve bank is a very important job with significant regulatory power, none of which I would diminish.

Then he says because they couldn't vote every couple of years on the Open Market Committee, it wouldn't have enough prestige for him to serve. He cheapens them, it seems to me. He also claims that I'm trying to undermine independence and subject them to short-term considerations.

I want to stress again, the people in whose hands I would leave monetary policy are appointed by a President, confirmed by the Senate—hardly an easy process, as we know, these days—and then appointed for a 14-year term. So these are not people who are subject to short-term whims. Of course, a 14-year term goes over three Presidential terms.

We then have Mr. Fisher, one of the regional presidents, who in a particularly arrogant way, here's what he has to say. We are being attacked—we, the Federal Reserve—from the right and from the left, and I don't see much difference between a certain Congressman from Texas named RON PAUL and a certain Congressman from Massachusetts named BARNEY FRANK.

Well, the whole language, he doesn't see any difference between myself and RON PAUL.

Mr. PAUL and I worked together on a number of things. We both think we are way overextended militarily, that we should be bringing the troops home

from Afghanistan and Iraq. We both opposed restrictions on free speech and we think that people ought to be gambling with their own money on the Internet. But we disagree fundamentally on economic policy. We disagree on the Federal Reserve. I have been in favor of quantitative easing. Mr. PAUL has been against it. Those are legitimate issues for debate.

But you get this smearing, a certain Congressman here and a certain Congressman there, and he doesn't see any difference. If this man really can't see any difference between the positions of myself and RON PAUL on economic matters, then he's hardly competent to be doing anything, much less voting on Open Market Committee policy.

Once again, what we get is a refusal to debate the merits. And there are debates to be had. Should we have an equal concern at the Federal Reserve with unemployment and with inflation? I think we should. Has the policy of Mr. Bernanke, supported by many others from appointees of both Presidents and some Federal Reserve regional presidents, to increase the money supply in the face of this terrible slowdown that we've been dealing with, has that been a good thing or a bad thing? I think it's been a good thing. That's debatable. But they won't debate it.

Instead, we get this collection of illogic, of inconsistency, and of factual error rallying around the notion of the Federal Reserve system as being unsailable. Well, too many people made that mistake when Mr. Greenspan was in charge, and we should not be making it again.

Mr. Speaker, I will continue to press forward. And I hope on the part of those on the other side we can now debate whether or not it's appropriate in a democracy for us to do as Mr. Will proposes and to give the financial community such an important role in the governance of their own industry or whether we should go for a more appropriately democratic one; whether Mr. Bernanke's policy has been good for the economy in terms of quantitative easing; and whether or not we should abolish the mandate of the Federal Reserve to care equally about unemployment and inflation. I look forward to debate those, but I hope in better terms.

THE SELECTION OF VOTING MEMBERS TO SERVE ON THE  
FEDERAL OPEN MARKET COMMITTEE

CONGRESSMAN BARNEY FRANK, SEPTEMBER 12, 2011

I have long been troubled by the anomaly of having officials—selected with absolutely no public scrutiny or confirmation—voting on some of the most important decisions the federal government makes. Therefore, I introduced H.R. 1512, which eliminates the role of the Federal Reserve's regional presidents as voting members of the Federal Open Market Committee. The Federal Reserve (Fed) regional presidents, 5 of whom vote at all times on the Federal Open Market Committee, are neither elected nor appointed by officials who are themselves elected. Instead, they are part of a self-perpetuating group of private citizens

who select each other and who are treated as equals in setting federal monetary policy with officials appointed by the President and confirmed by the Senate.

For some time this has troubled me from a theoretical democratic standpoint. But several years ago it became clear that their voting presence on the FOMC was not simply an imperfection in our model of government based on public accountability, but was almost certainly a factor, influencing in a systematic way the decisions of the Federal Reserve. In particular, it seems highly likely to me that their voting presence on the Committee has the effect of skewing policy to one side of the Fed's dual mandate—specifically that they were a factor moving the Fed to pay more attention to combating inflation than to the equally important, and required by law, policy of promoting employment.

In 2009, I asked staff of the Financial Services Committee to prepare an analysis of FOMC voting patterns. It confirmed two points. First, the great majority of dissents, 90 percent—from FOMC policy before 2010—came from the regional presidents. Second, the overwhelming majority of those dissents were in the direction of higher interest rates. In fact, vote data confirmed that 97 percent of hawkish dissents came from the regional bank presidents and 80 percent of all dissenting votes in the FOMC over the past decade were from a hawkish stance.

When I raised my objection to the inclusion of the regional presidents as voting members, I was given two responses by defenders of the current system. Alan Greenspan argued that it was important to have first-rate people agree to be regional bank presidents and that giving them votes on the FOMC was an important inducement to getting them to accept that position. Secondly, others argued that it would be wrong to have only Federal Reserve governors based in Washington voting on these things and that there needed to be a diversity of views from other parts of the country.

The first of these does not seem to me to have much weight. Being the regional bank president is an important and prestigious job, and I simply do not believe that we could not find people willing and able to carry out its responsibilities if they were not rewarded with a vote on a central matter of economic policy. As to the second argument, for diversity, it needs to be analyzed further.

It is true that having the regional presidents' vote provides geographic diversity but it provides far less diversity in every other way than presidential appointments. In particular, the notion—which I did hear in opposition to my legislation—that the Federal Reserve Bank presidents are representative of various segments of our economy is flatly wrong. The presidents are, of course, selected by the board members of the regional banks, a majority of whom are selected by member banks, making this a wholly self-perpetuating operation.

So the important question then is “Who are the directors of the regional banks?” Do they ensure a degree of diversity in the decision making of the FOMC? The answer is “No.” Not surprisingly, given all the factors involved, the members of the board of directors are overwhelmingly representative of business, and particularly financial industry representatives. That is, not only are the regional presidents appointed and reappointed by people, a

majority of whom are elected by the member banks of each regional bank, they are not in any way representative of the American economy. They in fact, represent the very particular segment that elected them. Of the 5 regional presidents who are currently voting members of the FOMC, all of them were selected by boards where representatives of private and financial institutions account for the majority of board members.

Until recently, the tenor of Federal Reserve deliberations was one that promoted consensus. And while it is clear from the voting patterns that the regional bank presidents exercise some influence in the direction of focusing concern more on inflation than unemployment, it is very unlikely that was a significant factor until recently. But things have changed. In particular, the Federal Reserve has been affected by the disdain for consensus and the contentiousness that has affected our politics in general. It is also the case that the Federal Reserve has been, for a variety of reasons, thrust more centrally into policy making than it had been previously. First with the events of 2008 and thereafter in dealing with the financial crisis, and since then in being forced to bear the lion's share of federal economic policy making in the light of stalemate on the fiscal side.

What all this means is that the voting presence of the regional presidents on the FOMC has now become a significant constraint on national economic policy making. The 7–3 vote of the FOMC in August in favor of keeping interest rates low is stark evidence of how much of a constraint this is. Obviously it is not a matter of pulling a switch and achieving a guaranteed physical result. How people in the financial community react to the decisions has a major effect, and a 7–3 decision is clearly less effective in influencing other's decisions—which is the way in which the decisions are executed—than a 10–0 vote.

Those who are critical of the Federal Reserve for not doing more—and I have been one of them—should take this into account and make sure that their criticisms are not of Ben Bernanke, who in my view has been trying hard to deal with the situation responsibly, but rather of a structure over which he presides and where he confronts people appointed by business interests who do not share the commitment to equal consideration of the full employment section of the Federal Reserve's dual mandate.

It is not at all surprising that those appointed by Presidents—Republican or Democratic—are more supportive of taking action to focus equally on both mandates, than are those who come from the collection of business interests who appoint the regional presidents. And the proof of that is that the record of greater dissents coming from the regional presidents than from governors is equally the case whether the governors were appointed by Democratic or Republican presidents.

Finally, one other factor of our current degraded political atmosphere exacerbates this. That is the refusal of the Republicans in the Senate to do their constitutional duty and treat the confirmation process as it is supposed to be treated—namely by looking at the merits of each individual nominee. The influence of the regional bank presidents is obviously great when there are seven governors and five presidents voting on the FOMC. In the current situation, we have an equal vote between the

presidents and the governors and that greatly adds not simply to the influence that presidents have, but to their ability to effectively constrain or veto items such as further use of unconventional tools to promote growth.

I have finally taken into account the argument that some diversity from a geographic standpoint would be a good thing, as would diversity from an occupational or institutional point of view. Just as I think it is helpful that Members of Congress commute between Washington where we talk mostly to each other and our districts where we talk to everybody else, I believe following the British model of having voting members of the Committee setting interest rates from outside the capital is a good idea. Soon I will be submitting a new version of the bill in which the President will be required to appoint seven governors subject to Senate confirmation as today, but also to appoint four representatives from regions outside of Washington to come to Washington for FOMC meetings and vote, also subject to Senate confirmation, but not otherwise employed by the Federal Reserve system. This will ensure important policy makers are either elected or appointed by elected officials, and give geographic and occupational diversity to the views that shape the decisions that are made.

#### THE BARRIO BOYS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 5, 2011, the gentleman from Texas (Mr. REYES) is recognized for 30 minutes.

Mr. REYES. I would like to pay tribute to a group of young men that won the 1949 baseball championship in Texas and overcame many, many obstacles and overcame the odds that at the time existed. When I read their story, you will appreciate their accomplishment.

This is from a story written by Alexander Wolff from Sports Illustrated that appeared in the June 27, 2011, edition. It's entitled, “The Barrio Boys.”

In 1949, El Paso's Bowie Bears, a team of poor Hispanic players who were too unworldly to be intimidated by their more affluent Anglo opponents, came from nowhere to win Texas' first high school baseball championship.

You'd saw off a broomstick for a bat. For a ball, you'd beg spools of thread from the textile plant, enough wrap to create a wad that you could seal with carpenter's tape. You'd go back to the factory for cloth remnants to sew together for a glove, which you'd stuff with cotton you picked at the ranch on the fringe of the barrio. That's what you did as a kid of Mexican blood in El Paso during the 1940s to play the game that, more than anything else, the traditional American game which would make you an American—baseball.

But to become a champion at that game, to beat all Anglo comers in a world that belonged to them, how could you possibly do that?

Borders are shape-shifting things—sometimes barriers, sometimes membranes, sometimes overlooks from