

Security and raise income taxes—both of which the Republicans promised not to do in their celebrated “Contract With America.” Greenspan personally began the proceedings early in 1995 when he announced the Fed’s conclusion that—eureka!—the Consumer Price Index overstates inflation by as much as 1.5 percent. Never mind the obvious contradiction this assertion posed for the chairman’s own arguments about inflationary dangers and the need to stifle the economy.

Greenspan’s purpose was to suggest that by adjusting the CPI Congress could lop more than \$20 billion from Social Security and other benefit programs and add a similar amount in higher tax revenues. The CPI is used to calculate annual cost-of-living increases for a variety of entitlement programs and to protect taxpayers from being pushed into higher tax brackets by inflation. Adjust it downward and Congress can find \$40 billion or \$50 billion. Look, no hands—we’re cutting Social Security and raising taxes and nobody can see us doing it. This is the type of sleight-of-hand that Americans have come to expect from Washington and it is the reason both parties are loathed. If Republicans try to speak this into legislation late at night, I hope the voters catch them.

Clinton could use all of these arguments to explain why he is replacing the Federal Reserve chairman, though I concede it would be out of character for him to do something so provocative and independent of the conventional wisdom. But think of the bumper sticker:

“Dump Greenspan. He’s Good for Bonds/Terrible for Wages.”

“Dump Greenspan: The Guy is Standing on Your Paycheck.”

“Dump Greenspan: He Stopped the Party Before You Got Any Punch.”

If Clinton doesn’t rewrite his hair shirt economic message, he will be stuck in about the same place that Jimmy Carter was in 1980, telling voters: “Sorry about the economy, folks, but this is about as good as it’s going to get.” Rational voters, given that choice, will usually opt for something else—anything else—even a fairly loopy or nasty alternative.

I Remember the Gipper’s favorite question: “Are you better off now than you were four years ago?” Next year, I expect Republicans to ask that question again, with devastating effect. Once again, they will be able to grab the high ground from the Democratic Party by calling for faster economic growth. Speaker Gingrich occasionally opines that the economy can grow at a 5 percent rate, though he does not explain how, given the obvious contradictions with the austerity provisions of the GOP agenda and the Federal Reserve’s assumption that 2 percent growth is “maximal.”

In other words, if the Greenspan era continues for another term, the political questions about economic growth will not go away. The same contradictions—the broad deterioration of incomes and the central bank’s doleful logic—will confront Republicans if they win the White House. The Republicans are leaning on the same frail reed that failed Clinton: a vague hope that the Federal Reserve and the bond market will help them by lowering interest rates. They should get Greenspan to put this in writing.

The dilemma of the economy’s growth rate is at the center of American politics but is seldom directly debated, since almost everyone assumes that faster is better. Even the antigovernment conservatives promote various proposals, such as a capital-gains tax cut or regulatory decontrols, based on the same premise: The measure will produce faster economic growth. But how can they do so, if the Fed insists 2 percent is the most the nation can handle? if voters and politi-

cians ever grasp the contradiction, it may well be triumphant Republicans, not Democrats, who finally have to take on the Fed.

Mr. HARKIN. As I said, Mr. President, I will be discussing this issue at greater length in the days and weeks to come. I guess we are on recess now. I guess the Senate will be in again later this week and I guess next week. I do not know when. But I hope to take some more time on the Senate floor to discuss the Federal Reserve System and why what they are doing and the course of action they are taking is not consistent with the real world. It is what is happening in the global economy, with what is happening to real competition, with what is happening to the need, and not only the need, but the possibility of real economic growth in this country.

The growth rate that seems to be acceptable to Mr. Greenspan I do not believe is acceptable to the rest of this country. From February 1994 to February 1995 under Chairman Greenspan interest rates were raised seven times—seven times in 1 year, three percentage points. It went from 3 percent to 6 percent in the year that ended in February 1995.

Now, we do have to be vigilant about keeping inflation in check. But even Mr. Greenspan said there was no inflation. Inflation has not been threatening, certainly not in the last year, Mr. President. But you would think if that is the case, interest rates would come down. But since February of last year, the Fed has lowered interest rates only three-quarters of a point. So he can raise interest rates 3 percent in 1 year, but in the next year he can only lower them three-quarters of a point. The recent small reductions may make people feel a little good. But they are still not down to where they were in February 1994.

I find it more than passing strange that interest rates can go up 3 percent in a year but they can only come down three-quarters of a point in the following year when there is no inflation threatening at all. I think it is very important to talk about this because of the significant impact it has on our economy and the income of average Americans.

I know there are other Senators who feel as I do. I know that Senator DORGAN also wants to take the floor to speak about this issue and about the need for a new policy, for new policy directions at the Federal Reserve System.

Mr. President, I wanted to take the floor to alert my colleagues that I will be putting more information in the RECORD and I will be discussing this at length in the days and weeks to come. As I said, I certainly hope that President Clinton will see the necessity for new leadership, and through guidance at the Federal Reserve System, appoint someone with a new vision, someone with new vigor and energy who understands the real world as it is out there and who is not just locked into out-

dated, outmoded and time-worn economic philosophies that have no bearing or no real relationship to the real world as we see it today.

I am publicly calling on President Clinton to bring new leadership to the Federal Reserve System next month. I yield the floor.

CAMPAIGN FINANCE REFORM

Mr. SPECTER. Mr. President, I have sought recognition to comment about the increasing public concern about the unlimited amounts of money that individuals spend from their own private fortunes to gain public office in the United States, which I believe poses a real threat to democratic government in our society.

I have spoken about this subject in the past and have, along with Senator HOLLINGS, supported constitutional amendments, because that is what is necessary to deal with this campaign finance reform issue, because the Supreme Court of the United States decided a little more than 20 years ago, on January 30, 1976, in a case captioned *Buckley versus Valeo*, that an individual can spend as much of his or her money as he or she chose, notwithstanding spending limitations on everyone else.

As I have said on this floor, that case had a substantial personal impact on me because I had declared my candidacy for the U.S. Senate in late 1975 when the campaign finance law had recently been enacted. In 1974, specified on a population basis for the State, a State the size of Pennsylvania had a limit of \$35,000, which is about what I had in the bank, having recently returned to private practice after having been district attorney of Philadelphia.

That year I contested a man who later became a very distinguished U.S. Senator—he won the election in 1976—a very close personal friend of mine, Senator John Heinz, who was able to spend beyond the limits established under the statute because the Supreme Court of the United States declared the law unconstitutional, on first amendment grounds, limiting the amounts anybody else could spend. My brother, for example, could have contributed substantially but could only spend \$1,000 by way of contribution.

This has become a proliferating, expanding problem in our society, with many Senate seats having been, in effect, bought with enormous personal contributions. Now we are seeing the matter played out on the national level, obtaining a lot of national notoriety, with recent disclosures showing expenditures in excess of \$15 million because people are not limited by the Federal laws if they choose to spend their own money. Those Federal laws on matching funds for the Presidency limit the amount that anybody can spend, if they take Federal funding, to

about \$600,000 in New Hampshire, about \$1 million in Iowa. Those funds are not the limit for those who spend their own funds.

I was fascinated to see on Friday in the New York Times, a column by Anthony Lewis, about this precise subject. I was surprised to see it because Mr. Lewis is well known for his defense of the Constitution and his defense of the first amendment. I think I have that same record, concern about the Constitution, concern about the first amendment.

So, when Anthony Lewis wrote a column in effect calling for the overruling of Buckley versus Valeo, which was decided on first amendment grounds, I thought it a very important event. At the conclusion of my presentation I will ask this be printed in the RECORD. But I only want to cite one sentence from it at this time, referring to the current events, on the tremendous expenditures by an individual, that these events may pose. A "real contribution should be to make us think of ways to overcome the Supreme Court's misguided 1976 decision that limiting how much political candidates can spend on themselves violates their freedom of speech."

I think it worth noting, when Anthony Lewis calls the Supreme Court decision "misguided," he, in effect, joins Senator HOLLINGS and myself and others in calling for a constitutional amendment. On Friday, February 2, the day this appeared, I called Mr. Lewis. Before I could tell him the purpose of the call, he said, "I think I know what you are calling about." He was exactly right.

On Sunday in the Philadelphia Inquirer there is an extensive article by Mr. Dick Polman, on the same subject, starting off, "If money talks." Again, quoting only one small section, Mr. Polman noted, referring to Buckley versus Valeo:

The justices ruled that candidates could spend their own money as they wanted, as an exercise of their constitutional right to freedom of expression. Publicly financed rivals, on the other hand, must obey spending ceilings in each state—\$600,000 per candidate in New Hampshire, \$1 million in Iowa.

Now, Mr. Polman quotes from a comment by Miss Ellen Miller, who directs the Center for Responsive Politics in Washington, "That ruling made no sense 20 years ago, and it certainly makes less sense today."

As the Presidential campaign moves forward and we see the impact, I am surprised that money could have made as much a difference as it has in what has resulted so far as shown by the public opinion polls in New Hampshire and Iowa. It may really be possible to buy the White House if enough money is spent from an individual who reportedly has \$400 million. And if that individual chooses to spend, say \$200 or \$300 or \$350 million—what is the difference if you have \$50 million more left over? You probably have enough for any other contingency—the impact of that

kind of spending has really potentially cataclysmic impact on the electoral process in the United States.

I do not want to keep the Senate here too late. It is now 6:15. I know the leader wants to wrap up, but I did want to make these brief comments.

At this time I ask unanimous consent the full text of these articles by Anthony Lewis in the New York Times of February 2, and the article by Dick Polman of the Philadelphia Inquirer of February 4 be printed in the CONGRESSIONAL RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Philadelphia Inquirer, Feb. 4, 1996]

IF MONEY TALKS, WHAT DOES IT SAY OF FORBES?

(By Dick Polman)

Ask Charles Lewis about the Steve Forbes phenomenon and you get a shake of the head and a sigh of exasperation.

"What's so disturbing," he says, "is that here you have a guy who's pumping his own millions into his presidential campaign—and a substantial number of voters aren't bothered by it. This gnaws away at me a bit."

Lewis is a Washington activist who wants to curb the power of money in politics—witness his new book, *The Buying of the President*—and that explains why he gets so hot about the new darling of the Republican field.

Lewis pursues his point, with a dollop of sarcasm: "Apparently the answer to our problem is, we should elect a multimillionaire because we think he's not [beholden] to special interests. Well, look at the people who are helping him. Look at the world he lives in. . . . He has come absolutely out of nowhere. At least Bob Dole is familiar to us. But this guy? It's like *The Twilight Zone*."

In terms of money and moxie, there has never been a presidential candidate like Steve Forbes. Yes, Ross Perot spent \$60 million in 1992, but he arrived late in the game and ran as an independent; unlike Forbes, he didn't target the primaries and try to blow out rivals with saturation advertising. And, yes, John F. Kennedy spent his father's money, but JFK was a career politician.

Forbes, by contrast, is a career publisher of inherited wealth and conservative bent, whose sole public job was a stint as board chairman of Radio Free Europe. As the hottest ticket in the Republican road show, he is pushing a flat income tax that would put more money in his own pocket, according to an independent analysis sponsored by Lewis's public-interest group, the Center for Public Integrity. Despite repeated requests, he refuses to follow Dole's example and release his income tax returns.

Most important, his lavish private spending is wreaking havoc among his chief revivals, all of whom are bound by the strict federal spending limits that inhibit those who accept campaign money from the public treasury. Forbes is free to spend, but they are not—thanks to a landmark Supreme Court ruling 20 years ago this week.

In fact, the self-financed Forbes candidacy would not exist without *Buckley v. Valeo*. The justices ruled that candidates could spend their own money as they wanted, as an exercise of their constitutional right to freedom of expression. Publicly financed rivals, on the other hand, must obey spending ceilings in each state—\$600,000 per candidate in New Hampshire, \$1 million in Iowa.

"That ruling made no sense 20 years ago, and it certainly makes less sense today," says Ellen Miller, who directs the Center for

Responsive Politics in Washington. "What Forbes shows is that the 'free expression' of a non-wealthy candidate, or a voter who can't afford to contribute money, is drowned out by the free expression of a candidate who can finance himself."

If Forbes' candidacy proves that money talks, the public doesn't appear concerned. The latest survey puts him ahead of Bob Dole by nine points in New Hampshire, which stages the first primary, on Feb. 20; three weeks ago, the survey showed Forbes trailing—by 16. As several New Hampshire voters insisted in interviews last week, Forbes can "afford" to be his own man.

Some say this sentiment is naive. "I've run [congressional] campaigns against rich people," says an adviser to a Forbes rival, "and you have to pay attention to the people they socialize with and do business with. In Forbes' case, it's all his magazine advertisers, his vendors, accountants, investors, lawyers—a whole culture."

It is not all Forbes' money. He has also staged fund-raisers—including a Philadelphia event Friday night—and has drawn the corporate elite. Miller complains: "He's selling himself now. He's breaking the myth that he can't be bought." As long as he doesn't seek public matching funds, though, he remains free of restrictions.

And the public seems not to mind. Gerry Chevinsky, the pollster who conducted the latest New Hampshire survey, explains the public's growing support: "We asked people if they thought it was appropriate for a candidate to use his own personal money in a big ad campaign—and 61 percent said yes. They are so turned off to Washington, and to politicians in general, that they're looking for anyone who doesn't play the political game. The support for Forbes is symbolic. He is a sanitized Perot."

Forbes also gets a boost from Steve Salmore, who advises Republican campaigns in Forbes' native New Jersey: "People see that . . . he's not just saying something in order to pander to people. There's a feeling that if you're spending your own money, that at least you believe in what you say."

Is it unfair that Forbes can outspend everyone else? Not necessarily, argues Salmore: "The court said, 'Spending your own money is a form of speech.' And rightly so. Look, is a businessman who wants to influence [the public] supposed to take time away from his work just to . . . lick stamps? The career politicians already have the advantage."

He says that if campaign-finance reformers are unhappy, they have only themselves to blame. After all, the court in 1976 was trying to clean up the reforms adopted in 1974. Referring to good-government activists, Salmore scoffs: "This is the problem with the 'goo-gos.' They put in reforms, and you end up with a system that helps some and hurts others. A classic case of unintended consequences."

Indeed, the system that has soured so many Americans—the ties between politicians and special-interest political action committees (PACs)—evolved as a consequence of the 1974 reforms.

The congressional reformers, seeking to banish "fat-cat" contributors, enacted a law requiring that presidential candidates accept only small amounts—no more than \$1,000 from an individual and \$5,000 from a group—with the totals then being matched by the federal treasury. This law also decreed that no candidate could spend more than \$50,000 of his or her own money.

The high court kept the first two provisions (the amounts are the same today), but threw out the cap on personal funds. And here are the results:

It takes enormous effort to build a sizable war chest from small contributions. Candidates can do it faster by relying on special-

interest PACs, which is one big reason that the PAC population has exploded over the last two decades. By contrast, someone like Forbes doesn't need to play even this game.

And while Forbes can spend whatever he wants wherever he wants, the others must obey the state-by-state ceilings. These ceilings often inspire creative cheating.

One veteran strategist says: "To stay inside the [spending] limit in Iowa, you rent all your cars in Kansas and Nebraska, and charge the accounts there. . . . Charge the cars in states where you know you won't be spending much money. Then bring the cars over to Iowa. Problem is, some poor schlepp has to drive all the cars back."

The big question is whether anything will be done. Salmore likes the idea of allowing publicly financed candidates to keep pace with the rich; if Forbes is spending big money, then remove the ceilings and allow his rivals to raise and spend the same amounts.

But Bill Bradley, a Democrat who is retiring from the Senate, is calling for a constitutional amendment that would bypass the court and allow Congress to set spending limits on rich candidates. In a speech last month, Bradley said: "Money is not speech. A rich man's wallet does not merit the same protection as a poor man's soapbox."

Charles Lewis says: "Buckley is the biggest roadblock to reform, so we either need a constitutional amendment, or . . . How do we do this in the fairest possible way?"

"I have to say, I don't know the answer."

[From the New York Times, Feb. 2, 1996]

LESS IS MORE

(By Anthony Lewis)

BOSTON.—A rich man campaigns for President on a one-plank platform: "Vote for me to cut my taxes drastically and make many of you pay more." The voters respond with enthusiasm.

It sounds like fiction, a parody of the American political process. But judging by what is happening in New Hampshire, it is reality. Three weeks before the primary there polls show Steve Forbes, the flat-tax candidate, in the lead.

A survey just taken by The Boston Globe and WJZ-TV finds 31 percent of likely voters favoring Mr. Forbes. Senator Bob Dole, who has dominated the figures for a year, is second with 22 percent. Just three weeks ago the same pollsters gave Senator Dole 33 percent, Mr. Forbes 17.

Mr. Forbes has poured millions from his personal fortune into television advertising in New Hampshire. In the new poll 85 percent of the respondents said they had seen his ads. Most of them are negative, principally attacks on Senator Dole. Just about the only affirmative argument he offers is for the flat tax.

The Forbes tax proposal would exclude the first \$36,000 in income for a family of four, then tax all earnings above that amount at a rate of 17 percent. Income from investments would not be taxed at all.

A change of that kind would be a boon for Mr. Forbes and other wealthy Americans, who now are taxed on investment income and pay a marginal rate of 39.6 percent on income over \$256,500 a year. To produce the same revenue as the present system, the flat tax would have to make the middle class pay more.

The Treasury Department analyzed a flat tax that would keep government revenue steady, one with a rate of 20.8 percent and excluding the first \$31,400. A family of four earning \$50,000 a year would pay \$1,604 more in taxes, one earning \$100,000 an additional \$2,683. But a \$200,000 family would save \$3,469.

In fact, the Forbes formula as drafted would cut Federal revenue by \$186 billion a

year. That would mean an enormous increase in the deficit or severe cuts in Social Security, Medicare and the defense budget. There is not enough discretionary civilian spending to absorb more than a small part of that amount.

Why would New Hampshire voters want to inflict such misery on themselves in order to give Steve Forbes and others in his bracket big tax cuts? Many may simply not understand the consequences.

Detailed findings of the new poll suggest that the meaning of the Forbes flat tax has not quite sunk in—but is beginning to. Asked whether they supported the Forbes tax plan, 37 percent said yes—down from 54 percent three weeks ago.

And of those who said they favored the flat tax, 45 percent said they would not be for it if it exempted investment income so the wealthy could live tax-free. Others in varying numbers dropped out of the group favoring a flat tax if it eliminated deductions for home mortgage interest or local property taxes—as the Forbes plan would.

The more attention 17 percent flat tax gets, the less likely voters are to support it. But that need not be the end of Steve Forbes. When New Hampshire supporters were asked why they liked him, the largest category of responses (37 percent) was that he was not a Washington insider. In short, angry Americans—and there are a lot of them—can work off their feelings by voting for Mr. Forbes.

The loser in all this is Bob Dole, and that is reason for regret. Even those who disagree with him on this issue or that must recognize that he is a responsible political leader and a serious man.

It is hard to take the other Republican candidates seriously. The party has lurched far to the right, but I doubt that it has become suicidal enough to nominate Phil Gramm or Pat Buchanan.

As for Steve Forbes, my guess is that he will look increasingly flaky. He told a Boston Globe interviewer this week that much of acid rain "is created by nature, not by smoke-stacks." Mr. Forbes's real contribution should be to make us think of ways to overcome the Supreme Court's misguided 1976 decision that limiting how much political candidates can spend on themselves violates their freedom of speech.

Mr. SPECTER. Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

MORNING BUSINESS

Mr. DOLE. Mr. President, I ask there now be a period for the transaction of routine morning business, with Senators permitted to speak for up to 5 minutes each.

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

JUDGE JOHN HELM PRATT

Mr. WARNER. Mr. President, I am pleased to place in today's RECORD a copy of a tribute to the late Senior Judge John Pratt, of the U.S. District

Court for the District of Columbia, written by his dear friend U.S. District Judge Oliver Gasch. I was privileged to serve under Oliver Gasch as an assistant when he was U.S. attorney for the District of Columbia, and I came to know Judge Pratt.

Mr. President, the recognition of the many accomplishments and contributions of Judge Pratt to his chosen profession—the law—are too numerous to list. Having served on the bench for 27 years, Judge Pratt helped to shape legal definitions of civil rights and discrimination.

Having served during World War II, Judge Pratt was honored as a distinguished member of the U.S. Marine Corps earning the Bronze Star and a Purple Heart for his service.

Judge Pratt once served as a page in the U.S. Senate. I am pleased to ask unanimous consent that the tribute in honor of the late Judge John Helm Pratt be printed in the RECORD.

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

A TRIBUTE TO JOHN HELM PRATT

We were all saddened by news of John's passing on August 11, 1995. He died at home surrounded by his devoted wife of 56 years, Bernice Safford Pratt, and five children, Sister Clare Pratt RSCJ of Rome, Italy; Lucinda Pratt Pearlman of Berkeley, California; John, Jr. of Red Bank, New Jersey; Patricia Pratt Moriarty of Wellesley Hills, Massachusetts; and Mary Pratt Brandenburg of Columbia, Maryland. In an autobiographical sketch written for his 50th Harvard Reunion, he listed the priorities which meant the most to him as: family, friends and career. He added that "family stability has contributed more than any other factor to whatever satisfactions have been mine."

John Pratt's exceptional and distinguished career can be divided into three segments: first, his education and early legal career; second, his service as a Marine in World War II; and third, his return to private practice and his appointment as a trial judge.

John's education was unusual. He attributed it to his mother: Boston Latin School, Gonzaga High School,¹ two years at Georgetown College, his transfer to Harvard College, from which he almost flunked out but graduated two years later with honors at age 19; Harvard Law School, from which he graduated in 1934.

After graduation, he became associated with the Washington firm of George Maurice Morris. Mr. Morris was a distinguished tax lawyer and John found himself doing research work on Mr. Morris's cases and his book on corporate tax law. Since John had no special interest in tax law, he was relieved when a highly controversial "stoker" case came to the firm. The Brotherhood of Railway Engineers and Firemen had sued the railroads to require installation of automatic stokers on the large steam locomotives. The record before the administrative law judge was approximately 30,000 pages. On this John and an associate worked long hours and with tremendous dedication. Their efforts were rewarded when the Sixth Circuit affirmed the favorable decision of the administrative law judge. Incidentally, one of John's opponents representing the railroads was my late brother-in-law Carleton Meyer, also a Harvard law graduate. Mr.

¹Footnotes at end of article.