The IMF should abandon this initiative and pursue alternatives to assist these poor nations.

I ask unanimous consent that the article be printed in the RECORD.

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

[From the Washington Times, Apr. 6, 1999]

(By Michael Evans)

In the rarefied atmosphere of Davos, Switzerland, Vice President Al Gore fired his opening salvo in the 2000 Election Year campaign, in an attempt to demonstrate his expertise in international finance.

Specifically, Mr. Gore suggested the International Monetary Fund should sell some of its gold reserves and use the funds to reduce foreign debt of impoverished Third World nations, following through with one of his favorite plans discussed in his 1992 magnum opus, ''Earth in the Balance.'' Such a plan, he claimed, would help alleviate ''the insanity of our current bizarre financial arrangements with the Third World.'' (''Earth in the Balance,'' p. 345).

Forgiveness of foreign debt would certainly not be a unique step. The United States forgave most foreign debts after both world war for Allies and foes alike. The Brady plan in the 1980s reduced Latin American debt. The United States also forgave much of the foreign debt of Eastern European countries after the demise of the Berlin Wall. Forgiveness of debt is not necessarily a bad idea; in many cases it has worked quite well.

Yet the Gore plan is questionable on two major counts. First, before these debts are forgiven, these countries need to provide some evidence they have started to improve their own economic programs. Second, selling gold, far from being the best way to proceed, is close to the worst.

With the IMF throwing $23 billion down the Russian drain because that country failed to institute necessary economic reforms, the case for requiring some moves toward economic stability seems strong enough that an extended analysis is not necessary. On the other hand, the negative impact of gold sales on economic performance is not well understood, and deserves further discussion.

Suppose the countries targeted to receive aid from the Gore program do indeed get their economic policies in order. Then it does make sense to reduce their foreign debt, allowing them to improve their economic lot instead of being permanently saddled with debts that, for practical purposes, can never be repaid. But why raise this money through IMF gold sales?

The cheap, cynical answer is this method doesn't require an actual outlay of U.S. funds, so it doesn't appear in the budget. However, cheap tricks like that are precisely the reason so many voters have come to distrust their elected officials. If reducing Third World debt is worth doing, let's debate the issue, vote on it, and pay for it, not disguise it in some underhanded way that the average voter won't notice.

Yet there is a deeper, more important reason. Selling gold often degrades economic performance. Most countries that have resorted to gold sales have found their currency has depreciated, their real growth rate has declined and their unemployment rate has risen relative to countries that did not sell gold.

Now that the inflation rate has remained low in the United States, even with the economy at full employment, and the dollar has strengthened, it has become fashionable to proclaim that gold reserves are no longer needed to stabilize the price level and the value of the currency. In fact, there are many reasons why the inflation rate has remained so low, including a credible monetary policy, the budget surplus, and the beneficial impact of rapid growth in technology. However, the most important factor is the widespread realization that the U.S. government is committed to keeping the rate of inflation low and stable. Massive gold sales would undermine that commitment.

In this regard, it is instructive to look back and see how the U.S. economy fared during the last major round of gold sales. The IMF held several gold auctions from 1976 through 1980. In the five 1976 auctions, the average price of gold was $122 per ounce. By the five 1980 auctions, the average price had risen to $581 ounce.

Of course, one of the reasons gold prices skyrocketed was that the rate of inflation in the United States surged, rising from 4.9 percent in 1976 to a peak of 13.3 percent in 1979. While one can argue that higher oil prices boosted inflation, the fact of the matter remains that the inflation rate rose to 6.7 percent in 1977 and 9.0 percent in 1978 before oil prices started to increase. Furthermore, the CPI for all items, excluding energy, also moved up from 4.8 percent to 11.1 percent in 1979, and the continued rising to 11.7 percent in 1980.

How could a relatively modest amount of gold sales have boosted inflation so much? Most economists now agree that inflation is driven largely by expectations. If labor and business believe fiscal and monetary policy will continue to fight inflation vigorously, the inflation rate will remain low, as is indeed the case today. Conversely, when the government sends the unmistakable signal by selling gold that higher inflation is OK, labor and business quickly raise wages and prices, and inflation is off to the races.

Of course, the Carter administration did not come right out and say ''we favor high inflation,'' but their actions convinced private sector economic agents that is what they meant. When the signaled their disdain for a stable price level by selling gold, the U.S. government encouraged prices to rise more rapidly in the late 1970s.

Other countries have also had negative experiences following gold sales. On July 3, 1997, the Reserve Bank of Australia announced it had sold 69 percent of its gold reserves of the previous month, resulting in a net gain of $150 million per year in interest. However, it is more than coincidental that the month before this announcement, the Australian dollar was worth 75.4 cents, but it then started to fall steadily to a level of 58.9 cents a year later.

Thus in the year following the announcement of goal sales, the Australian dollar lost 20 percent of its value. As a result, Australian consumers had to pay an additional $10 billion per year for imported goods, almost 70 times the $150 million in interest earned from interest-bearing securities purchased with the money generated from the sale of gold reserves.

The Canadian economy was also damaged by the decision of the central bank to sell 85 percent of its gold reserves since the early 1980s. The sharp decline in the value of the Canadian dollar relative to the U.S. dollar also led to a lack of investment opportunities by local firms and a substantial rise in the unemployment rate. Indeed, before the gold sales, the Canadian unemployment rate tracked the U.S. unemployment rate closely; in recent years, it has been about 5 percent higher. Canada paid a very high price for this decision to sell gold and reduce the value of its currency.

It is also worth mentioning that Russia sold most of its gold reserves shortly before the collapse of the ruble last summer. It is likely that if Russia had not sold its gold, it would not have been forced to devalue the ruble. Seldom has a decision to sell gold reserves been more ill-founded and untimely.

Thus the weight of the evidence clearly suggests that when central banks decide to sell gold, the currencies of those countries often depreciate and their economies suffer slower growth and rising unemployment, far outweighing any small gain that might occur from the return on interest-bearing securities.

Given this track record, it seems remarkable that anyone, let alone the vice president, would suggest weakening the current stability in the U.S. economy by selling gold and raising the expectations that inflation was about to return—which would also result in a degradation of current economic performance.

If impoverished Third World nations can demonstrate they have taken steps to put their economic houses in order, fine. Let's reduce their foreign debt, just as the United States has done for so many other foreign countries over the past 80 years. But having made that commitment, there is absolutely no reason to risk boosting the rate of inflation and weakening economic performance by funding debt reduction with ill-advised gold sales.

## TRIBUTE TO CARDINAL SILVA

Mr. KENNEDY. Mr. President, last week the hemisphere lost one of its greatest leaders on human rights with the death of Raul Cardinal Silva Henriquez of Chile.

The Cardinal was a great man, and one of the great voices for freedom and justice of our time and of all time. He was a brave and holy man whom many of us were proud to call a friend. The poet Yeats said:

Think where man's glory most begins and ends,
And say my glory was I had such friends.

Most of all, the Cardinal was a friend to all those who needed friends the most—the oppressed, the frightened, the lost, the ''disappeared.'' He sheltered the homeless, but he also sheltered those who had homes but dared not go to them. During the dark days of Chile's recent history, when the flame of democracy was nearly extinguished, and the noble concepts of freedom and human rights considered subversive ideas by those in power, this courageous man of God would not be silent.

Now, God has called home his good and faithful servant, and we understand that. Only God could still that strong and powerful voice. His enemies may have hoped to silence him through all those years, but they dared not.

I first meet the Cardinal in the 1970's, shortly after the coup that stifled democracy in Chile. He had come to Washington, and I had been holding hearings here in the Senate, year after year, to try to shine some sunlight into the darkness of the human rights abuses in his land. He asked if we could meet privately, away from the glare of publicity, and we did so, at a friend's home. As we sat and drank tea, he spoke directly and intensely about human rights in his country, without anger, and with insight and determination.

In those years, he had created the Committee for Peace, an ecumenical movement of Catholics, Protestants, and Jews dedicated to providing relief to the victims of human rights abuses.

Later, defying the Pinochet regime, he formed the Vicarage of Solidarity, to provide legal assistance for the victims of the abuses, and to protect the lawyers who championed their cause. Without the protective mantle of the Cardinal and the Church, these organizations would almost surely have been snuffed out. Because of him, many people found the courage to speak out and to continue the long battle for democracy.

We met several more times over the years. When I visited Chile in 1986, the government refused to meet me. But the people, led by the Cardinal, welcomed me, and I will never forget that inspiring and deeply moving reception.

At another time and place, the poet Gabriela Mistral wrote about the wife of a prisoner:

> From the house I grieve, to the fiery thimble of his dungeon, I fly back and forth like a living shuttle, like one who knows no other path, until at last the walls open, and let me pass through iron, pitch and mortar.

The Cardinal heard the cry of women like that, and their men. Chile's Ambassador to the U.S., Genaro Arriagada, was one of those who, because of the Cardinal, found the courage to resist. His ''No'' campaign the 1980's led finally to the shining moment in the National Stadium in Santiago in 1990. None of us who were in the stadium that day will ever forget it.

President Aylwin had already accepted the sash of office, a symbol of the restoration of freedom and democracy that so many, including the Cardinal, had worked for so long and so well to achieve.

In the stadium, which had been the darkest symbol of fear, imprisonment and despair, a beautiful tribute occurred. A young girl walked across the infield, while the great stadium scoreboard scrolled the names of the disappeared. Their families danced to a song about freedom in Chile. When President Aylwin spoke at sunset, thousands of candles burned, and fireworks lighted up the sky above the jubilant crowd. The celebration lasted for hours—and it continues to this day.

Many profiles in courage made that glorious day possible. But no one did more to make it possible than that strong, brave man of God, our friend, Raul Cardinal Silva Henriquez. May he rest in eternal peace.

## THE ALTERNATIVE MINIMUM TAX

Mrs. LINCOLN. Mr. President, today I rise to reiterate to my colleagues the need for immediate reform in the Alternative Minimum Tax. This tax, which was created to stop the very wealthy from ducking taxes through exemptions and tax shelters, looms in the future of millions of unwitting American taxpayers. Economists from the Treasury Department and elsewhere state that perhaps 12 million American taxpayers will be subject to the Alternative Minimum Tax and its higher rates over the next 10 years. Now these people, these 12 million, these are not millionaires, they are mainstream people. According to the Treasury Department if we do nothing to change the AMT there will be a 638% increase in the number of taxpayers earning between $15,000 and $30,000 who will pay the AMT's higher rates. By 2008, 12% of the taxpayers paying the AMT will be earning between $30,000 and $50,000, 29% will be earners of $50,000 to $75,000. By 2008, 45% of people paying the AMT, a tax created for the very wealthy, will have Adjusted Gross Incomes of less than $75,000. If this alone is not enough to alarm this body perhaps we should consider the fact that an estimated 2000 families making over $200,000 will not pay one red cent in taxes this year. This is an unfair, unjustified, and inaction by this body is unreasonable. The AMT is out of sync with its purpose and it must be changed.

There are two major factors that have brought the AMT into the lives of middle-income taxpayers—first, tax credits created to help families and aimed at promoting education and community are considered to be preferences in terms of AMT determination. This means that many taxpayers must choose between applying middle-income tax credits and paying the AMT or forgoing the benefits of the credits and paying regular income tax. The AMT is threatening to prevent millions of middle-income families from receiving these valuable family tax credits such as the dependant care credit, the credit for the elderly and disabled, the adoption credit, the child tax credit, and the HOPE scholarship. No one, rich or poor, should be forced to pay the AMT, and higher rates, because they use these credits.

Second, Mr. President, the AMT has not been adjusted for inflation since 1993. This problem simply speaks for itself. While the cost of living has increased by approximately 43% since the tax code was last overhauled in 1986, the AMT has been adjusted only once by 12.5% in 1993. It is an inevitability that middle-income families will be drawn into the AMT if nothing is done to adjust a tax provision that is structured like the AMT. It is very important that this problem be addressed and I am happy that Senator LUGAR has brought this issue to the forefront of debate with his bill which would index the AMT beginning in 1993.

We can do a great favor to ourselves and our constituents this legislative session by fixing the AMT. Many families are not aware of the AMT. Most, I'm sure don't realize that soon they may be subject to the AMT and its higher rates. I promise, however, that if we do not fix the AMT now there are 12 million people out there that will let you know in the coming years. 12 million people, 45% of which earning less than $75,000 in adjusted gross income. One-million-four-hundred-and-forty-thousand Americans earning between $30,000 and $50,000 will be contacting their representatives in Washington in the coming years to ask, ''how can you people possibly consider me wealthy enough to pay a special tax for the wealthy?'' They will ask, ''why am I being punished for applying these tax credits that you gave me.''

While the bulk of the bulk of the middle-income AMT damage can be abated by Congressional action now, the AMT is already starting to take its toll on a handful of middle-income voters. I received a letter from an accountant in the northwest Arkansas town of Harrison. Jeff Hearn, who has impeccable professional credentials and who I understand to be a very well-respected practitioner among his peers, wrote me about the AMT plight of one of his clients. He wrote, ''Please find enclosed the description of one of my clients who is a young aspiring farmer with chicken houses in northwest Arkansas . . . He and his wife have two beautiful children who both qualify for the new child tax credit this year . . . However, when their return was completed they were subject to alternative minimum tax.'' Apparently this family was forced into paying AMT due to a combination of the new child tax credit and excess depreciation arising from their budding farm operation. I believe Mr. Hearn said it best when he wrote, ''It seems quite unfair to me that a couple under the age of thirty, who are trying to build an agricultural business in addition to working for a living would have to pay alternative minimum tax when individuals who make hundreds of thousands of dollars are still not paying alternative minimum tax.''

## MESSAGES FROM THE PRESIDENT

A message from the President of the United States was communicated to the Senate by Mr. Williams, one of his secretaries.

### EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages