

He went on further to say, as he understood the framework of the agreement, the Democrats would allow him to be chairman. He thought that was a pretty good deal.

I say to my friend from North Dakota, in the form of a question, and ask if he would agree: The fact is, the Senate is divided 50/50. As I said before, it doesn't matter what kind of math you use; 50 Democrats and 50 Republicans comes out equally. It would seem to me that the committee structure should be equal.

Again, reading in the Washington Times, which seemed to be a press release from the dissidents—I should not say “the dissidents”—it seemed to be a press release from those people opposing equality in the Senate. It appeared to be a press release they issued. They are saying: I don't understand. We are going to be in the majority. We deserve to have one more on the committee.

I say to my friend from North Dakota, and I ask if he would agree with me: The Republicans are not in the majority in the Senate of the United States. On the organizational matters, there will never be any tie the Vice President can vote upon, as Alan Simpson said, formerly the assistant Republican leader and Republican whip. As he said: The Republicans will be killed by the public publicity-wise if they try to oppose equality in the Senate.

He went on further to say that he thought the committee chairmanships should rotate on a yearly basis.

So again in the form of a question: I would hope, as I am sure my friend from North Dakota hopes, that the work of our leader, Senator DASCHLE, and their leader, Senator LOTT, comes to fruition. These men have worked extremely hard. They deserve the support of their two caucuses. What they are trying to do, as I understand it, is come up with something that is fair. That is all the majority of this Senate wants. The majority of the Senate wants a 50/50 division. If we had a vote on that today, that is how it would take place. So we should get that here as quickly as possible and get on with the business of the Senate. Then we would not be in quorum calls here.

Does the Senator from North Dakota agree?

The PRESIDENT pro tempore. The time of the senior Senator from North Dakota has expired.

Mr. REID. I ask unanimous consent, in that I took so much time of my friend from North Dakota, that his time be extended for another 10 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered. The Senator from North Dakota is recognized.

Mr. DORGAN. Mr. President, I say in response to the remarks of the Senator from Nevada, I certainly agree with his comments. It is not a circumstance where I believe there is any ill will

anywhere in this Chamber on those issues. It is hard for a party that has been the majority for there now to be a circumstance where they are not the majority. In fact, they are in a body that is split evenly, 50/50. That is not easy. That is hard to deal with. I understand that. I do not suggest there is ill will anywhere. I am sure they are trying to grapple through these issues and how to respond to that.

But I must make another comment. This is not unusual. It has not happened in this body, but it has happened plenty of times around this country. On many occasions, somewhere over 30 occasions, the legislative bodies in the States—either a State Senate or a State House of Representatives—has discovered itself to be evenly divided, tied with respect to the number of Republicans or Democrats. Incidentally, I sent a report to Senators on this and, in every case, they had to reach an agreement. You know, they said: What we have is a membership that is equally divided, so how do we respond to this? Some State legislative bodies said we will have 50/50 splits on the committees. Some said we will have co-chairs. Some said we will have rotating chairmanships. They have made all kinds of accommodations for it. In fact, in one State they actually just flipped a coin and decided who was in the majority by a coin toss. There are so many different mechanisms for States to make these decisions. We have not had to make those decisions until now.

What I hope will happen is that Senator DASCHLE and Senator LOTT, in the coming couple of hours, because time is of the essence here, will be able to reach an agreement that is fair to every Member of this Chamber and fair to both political parties.

We don't want that which we don't deserve. But we do believe that if, by virtue of the decisions made by the American people, we have 50 percent of the membership of a body of 100, we have the opportunity to have that same percent of the membership on the committees, because that, after all, is where the work originates that eventually comes to the floor of the Senate.

I graduated in a high school class of nine—top five, incidentally. I understood from either lower math or higher math, that when you have 100 seats and 50 are Republicans and 50 are Democrats, that is called a tie. That is the basis of all of this negotiation.

Let us hope in the next few hours our two leaders can reach final agreement. Then we will turn, next week, to a circumstance where we have the capability of organizing and making all of the committee assignments and move on to deal with the nominations sent to us by President-elect Bush.

If such an agreement is not reached, of course, if there are some discordant voices in the Senate who say, “It

doesn't matter it is 50/50, we insist on having a majority in every circumstance in every way,” if that is the case, of course those many of us who feel very strongly about the need to have the opportunity to have a 50/50 split on the committees would not want to allow that to happen. There will then ensue, of course, a battle about organizing.

Let's avoid that. Let's not do that. Let us, today, in the next couple of hours, resolve this in the right way and in a fair way. If we do that, we will have best served the American people's interest.

Mr. REID. If the Senator can be interrupted, and I will be very quick, he raises an important issue. People in the State of Nevada in 1985 had a tie in the Nevada State Assembly, equal numbers of Democrats and Republicans. It was one of the most productive sessions in the history of the Nevada Legislature.

EVAN BAYH, when he was Governor of the State of Indiana, had a tie in the State Legislature. That was one of the most productive in the history of the State Legislature.

I say to my friend, he is absolutely right on target. I also say, in addition to Senator MCCAIN, there are other people who will become chairmen after January 20, Republicans, who stated 50/50 is a fair way to do things.

I hope we can work this out. I know people have strong feelings, but I hope the two leaders will be able to bring something to us so we can get down to the work at hand. I appreciate the Senator yielding.

Mr. DORGAN. The point is, we wish Senator DASCHLE and Senator LOTT well and hope they succeed in reaching an agreement, and we pledge our cooperation to help them do that.

FEDERAL RESERVE BOARD

Mr. DORGAN. Mr. President, I have come to the floor today to briefly talk about the Federal Reserve Board and our economy because it is important we have some discussion on what is happening in our economy.

I have been watching in recent days the announcements both by the Federal Reserve Board and also the way the press in this country has portrayed the discussions about a softening or weakening economy and the Federal Reserve Board's attempts to respond to it by cutting interest rates.

Let me first say uncharacteristically that the Fed did the right thing a few days ago by reducing the Federal funds rate by 50 basis points. The interest rates imposed by the Fed have been historically too high. Seven months ago, the Federal Reserve Board increased interest rates for the sixth time, and that was 50 basis points. Do my colleagues know why the Fed did that 7 months ago? Because the Federal Reserve Board said America had

an economy that was too strong and growing too rapidly.

The reason I want to have this brief discussion today is to say this economic slowdown people talk about is not an accident. The Federal Reserve Board believed the economy was growing too rapidly. They worried, therefore, that it would ignite a new wave of inflation. In my judgment, that was not a logical conclusion of the economic growth we were seeing, but nonetheless, Alan Greenspan and the Federal Reserve Board deliberately wanted to slow down the economy.

What is the result of all of that? Let me read a couple of headlines: "Slowing Factory Activity Hints at Recession. Sharp Drop Is Weakest Monthly Reading Since 1991." USA Today.

"GM to Idle Eight Plants Next Week." Associated Press, January 4.

"Sears to Close 89 Locations." This morning's Washington Post.

"E-Toys to Eliminate 700 Jobs."

"Covad to Lay Off 400 Workers."

I think one gets the point. This economy is slowing. The Federal Reserve Board increased interest rates six times since June 1999, the last time 7 months ago, by 50 basis points, believing that despite higher productivity growth by the American workers there would be a new wave of inflation, and intending that it had to respond to an economy that was growing too rapidly. In my judgment, they were mistaken. I said so at the time on the floor of the Senate.

Seven months later after saying the economy was growing too rapidly, we have all these news reports that, gee, this economy is slowing. I wish the reporters would ascribe that slow growth now or the slowdown of the economy to the Fed's actions. This was medicine administered by an economic doctor 7 months ago and the months previous to that on five other occasions because the Fed believed our economy was growing too rapidly. It was the wrong medicine at the wrong time. The result is a slowdown, in many cases, perhaps, a slowdown that is more dramatic than the Fed intended. Because of that, 2 days ago the Fed decided it would decrease the Federal funds rate by 50 basis points. The problem is that does not always take effect quickly. It takes some while for it to course its way through our economy.

A 50-basis-point reduction is not enough. The Federal funds rate, and therefore all other interest rates, are still high historically relative to the current rate of inflation. It is, therefore, a tax on the cost of money. An average American household, because of the previous six interest rate increases imposed by the Fed, is now paying \$1,700 a year in additional interest charges. Think of the chaos that would have caused had someone come to the floor of the Senate and said: We have a proposal. We think the economy is

doing too well, and we would like to ask every American family to pay \$1,700 more a year in taxes. Think of the debate about that.

Higher cost of credit is a tax on the American people artificially imposed by the Fed. Interest rates that are higher than are justifiable. Real interest rates, above the rate of inflation, are still extraordinarily high, and in my judgment, represent a wrongheaded public policy.

We will see if we get out of this with a slowdown that is a soft landing and slow, gradual growth once again, or whether the Fed has really miscalculated and increased interest rates so much that it took this economy off track. I hope it is not the latter. I hope it is the former. I am not wishing a bad result, but I am saying the next time someone talks about this economy—I heard some conservative commentators say this is the Clinton slowdown. This slowdown is engineered by the Federal Reserve Board. They talked about it, they insisted upon it, they voted upon it, and now 7 months later, we bear the fruit that might be a bitter fruit. I want people to understand.

I kind of yearn for the day—and I was not here then—when we debated interest rate policies all across this country. Read the economic and financial history of this country and you will find that a century and a half ago, the question of interest rates and monetary policy was debated from bar rooms to barber shops all across this country. As late as 50 years ago, a quarter point increase in the Federal funds rate imposed by the Fed would be front page headlines and debated at great length, but not anymore.

The Fed acts imperviously to public input. It is the last dinosaur in town. It operates behind locked doors. The American public is not allowed in, and no President will comment much about the Fed because they are worried they will upset the market. So they went on their merry way 7 months ago believing they ought to slow down the American economy.

The next time you hear about this economic slowdown, understand it was engineered by the Federal Reserve Board and let us hope they take aggressive additional action—not just the 50 basis points a couple days ago—but aggressive additional action to put interest rates where they ought to be relative to the rate of inflation and stop overtaxing the American families by engineering the higher cost of credit they have caused in the last year and a half that is unjustifiable.

It probably is shouting in the wind to talk about the Federal Reserve Board, but it is, nonetheless, therapeutic for me, so I continue to do it.

I very much hope we can continue an economy that produces the rewards of new jobs and new opportunities and hope for all Americans. We need a bal-

anced fiscal policy and a balanced monetary policy to do that. The Fed controls monetary policy absolutely. We control fiscal policy. We will have, I assume in a matter of weeks, people bringing to the floor of the Senate very substantial proposals for tax cuts, as some say, \$1.3 trillion or \$1.5 trillion over the next 10 years, to respond to this very issue of an economic slowdown. Again, I say this slowdown was deliberately engineered by the Fed. We need to be very careful, however, on fiscal policy which we control not to put this country back in the same peril of budget deficits in the future. It would be very irresponsible to begin permanently disposing of a surplus that is projected in the future but that has not yet occurred.

If we have a surplus, and I hope we do, that results from a growing economy, a fair amount of it ought to be used to reduce Federal debt. If during tough times we run up Federal indebtedness, during good times surely we must pay it down. What better gift to America's children than that? If we have surpluses in the future, and I hope we do, some of it, in my judgment, can and should go back to the American families who pay their taxes and could use some tax relief, but not just with a formula that deals with income taxes.

Most Americans pay more in payroll taxes than income taxes. If we are going to send money back in the form of tax relief—and we should if we have these surpluses, after we have allocated some to reducing the Federal debt—then let us make sure we understand we send it back based on the total tax burden the American families face, and that includes the payroll tax.

Finally, if we have surpluses—and I hope we will—some of it should be devoted as well to the investments in the things that make America a better place in which to live: Sending our kids into the best classrooms in the world, building our infrastructure, providing for our health, and those kinds of issues as well.

Mr. President, you have been generous with time today.

Again, let me hope that this day ends with good news for all of us in our ability to organize. We will continue these debates later in January.

I yield the floor.

RECESS SUBJECT TO THE CALL OF THE CHAIR

The PRESIDENT pro tempore. In accordance with the unanimous consent request previously granted, the Senate now stands in recess awaiting the call of the Chair.

Thereupon, at 11:11 a.m., the Senate recessed until 2:34 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. DORGAN).