hurdle yet. Indeed, General Gordon and that semiautonomous agency have not been totally formulated. They are not grown up yet and are still walking along, maybe comparing it to high school and the eighth grade. They still have to get the diploma. This bill should enhance it or give them some of the tools they claim they need.

In the meantime, I thank the Senator for observations and comments regarding a world beyond Kyoto. Clearly, if we do this right, we can have an abundance of energy and there need be no atmospheric pollution; we can do it another way. Clearly, we can get it done.

I thank the Senator for his observation.

Mr. REID. Will the Senator yield?

Mr. KYL. I yield.

The PRESIDING OFFICER (Mrs. CLINTON). The Senator from Nevada.

Mr. REID. The Senator from Arizona missed my brief statement today about how I had become a late believer in the work that he and Senator DOMENICI had done before the Nuclear Regulatory Administration. As you may recall, last year I fought that initially. As I said to Senator DOMENICI, I thought it was being done, initially, for reasons other than what it turned out to be. I commend the Senator from Arizona—I have already done that a Senator DOMENICI—for the great work being done by General Gordon and the people working with him. It certainly has been a step in the right direction.

With the deep concern I have with the nuclear arsenal, I think there is not anything we could be more devoted to than making sure General Gordon has enough money and general resources to do what he has to do which is so important.

ECONOMIC GROWTH

Mr. LOTT. Madam President, we have seen for the past year a reduction in the growth rate of our economy. The world is experiencing a global economic slowdown. The tax cut signed into law in June contained compromises to make the tax cuts in the lowest bracket retroactive to January 1. We are also going to begin to see the tax reduction benefits in the American people’s hands by the end of this month. Perhaps there has never been a better-timed tax cut. The dollars we are returning to the taxpayers and the rate cuts that will allow them to keep a little more of their own hard earned salaries will provide some stimulus to keep the economy from falling further behind.

I reject the advice of those who say that now is the time for the government to stay out and make more money out of the American workers’ pay envelopes. Nothing could be worse for a weakening economy. In fact, I believe that now is the time to find more ways to encourage economic growth.

The tax cut provides some immediate stimulus and in the long-term some predict the economy growing. But we need to look at ways to kick-start the supply side of the economy. One possibility is to cut the capital gains tax rates. I will be pursuing this effort in the coming weeks and months. Nothing is more important than to get our economy moving again at full speed.

My friend Jack Kemp authored a most interesting and compelling article a couple of weeks ago in the Wall Street Journal. Thirty years ago when I came to Congress I first met Jack. He was then and continues to be a person who is not afraid to challenge the common norms of economic thought. In the 70’s Jack led the charge for tax rate cuts to get the economy moving. We have too easily forgotten the hopelessness that many Americans felt in the late 1970’s facing stagflation with no idea of how to turn the flagging U.S. economy around. Now we face a problem of a global slowdown. Jack suggests an answer. Many will try and dismiss his proposal. This is a debate that needs to continue.

We need to get the American economy running at full speed. The tax bill was the first step. Getting the economy back to full growth will be my primary focus.

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

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

[From the Wall Street Journal, June 28, 2001]

OUR ECONOMY NEEDS A GOLDEN ANCHOR (By Jack Kemp)

How many more dashed hopes and false recoveries must we experience before politicians and monetary authorities accept the fact that our inability to manage fiat currencies is causing the global economic slow-down? They have caused the interest-rate reductions to kick in, yet more than six months after the Fed began lowering rates the economy continues to weaken. Waiting for the recently enacted tax cuts to provide “stimulus” will prove futile as well. The economy does not suffer a lack of consumer demand, and more money in people’s pockets will not revive the supply side of the economy.

UNPRECEDENTED EXPERIMENT

Ronald Reagan once said he knew of no great nation in history that went off the gold standard and remained great. Since Aug. 15, 1971, when the U.S. ceased to redeem dollars held by foreign governments for gold, we have put that thesis to the test. For the first time in human history, not a single major currency in the world was linked to a commodity. Economist Milton Friedman called the situation “unprecedented” and said it was a long-term viable alternative.” “The world,” he said, “needs a long-term anchor of some kind.”

In the short term, at least, he was vindicated. In the monetary system of floating fiat currencies with the stroke of a pen, President Nixon touched off a world-wide inflation that lasted through the 70s and early 80s.

Yet America recovered to preside over the demise of world communism, and overcame the rising inflation and unemployment of “stagflation” to enjoy an unparalleled 18-year economic expansion. Economic observers today, the U.S. is at the pinnacle of its power and enjoying its greatest prosperity ever.

Were Messrs. Reagan and Friedman right? I don’t think so. If the U.S. has so far come out on top in this experiment, it is only because other countries’ economies have suffered even more from floating currencies.

Once the U.S. government ceased redeeming gold at $35 an ounce, its price quadrupled on world markets to $450 to reflect the dollar’s diminished value. By breaking the gold link, the Nixon economic team forced the unwanted liquidity pouring out of the Fed—which had thus far built up in the Eurodollar market and the portfolios of foreign central banks—to remain inside the U.S. economy where it would manifest itself in price inflation. Robert Mundell was the first to predict, in January 1973, that we would soon see a dramatic rise in the price of oil, with general inflation to follow.

Where the rest of the economics profession believed the Arab oil producers would be quadrupling the oil price in 1973, Mr. Mundell and those supply-siders who followed his intellectual lead knew that gold’s quadrupling had led the way. To them, oil served as a “bracket creep,” capital formation stopped in its tracks, and it soon took two workers to produce the same income that one had had before oil first came up.

The stagflation that had its roots in leaving the gold standard was compounded when Congress and three different presidents tried to fight it with wage and price controls and high marginal tax rates.

But discretionary monetary policy is Janus-faced, and instead of too much liquidity it was too little. Deflation began in 1996 when the Fed tightened monetary policy to combat some inflation it had created attempting to offset the economic drag of the Clinton tax hikes. A rising dollar then caused the dollar pegs of emerging economies to snap, set off the Asian, Brazilian and Russian economic meltdown and caused those other commodities to collapse. Oil producers took a two-year holiday from drilling, which in turn created an oil shortage and drove energy prices sky high.

Now, the energy-price hikes are working their way through the economy and are mis-construed by the Fed as inflation. Once again, central bank errors in the discretionary management of floating fiat currencies have put the entire world economy at risk.

The Fed has cut interest rates 275 basis points since the start of the year, but the price of gold is still down to about $272 from $385 in 1986, having fallen $5 yesterday alone on the Fed’s announcement that it was lowering the fed funds rate another 25 basis points. Commodity prices are near their lowest levels in 15 years, and the foreign-exchange value of the dollar has risen against all major currencies since the Fed began its interest rate-easing cycle.

Without a gold standard, the Fed has no means of determining how much liquidity markets demand, and all it does by targeting interest rates is guess how much liquidity to inject or withdraw to counteract mistakes it made earlier. The Fed’s new way to mimicking the mistakes of the Bank of Japan made when it lowered interest rates to zero,
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all the while prolonging and deepening Japan’s monetary deflation.

This is no way to manage a currency. It’s obvious that we have accumulated a long series of small deflationary errors by the Fed that are dragging down the U.S. economy and helping depress world commerce. It’s time to restore a golden anchor to the dollar before our luck runs out and we suffer a real economic calamity.

The Fed may yet get lucky with its rate cuts, although the Bank of Japan never did. The only certain way to end this deflation is to have the Fed targeting interest rates and begin targeting gold directly—not by “fixing” the price of gold by administrative fiat as some people mistakenly characterize it, but rather by calibrating the level of liquidity in the economy, over which the Fed has exclusive and precise control, to keep the market price of gold stable within a narrow band closer to $225 than $275.

There is nothing mysterious about how gold could be used as a reference point or how a new monetary standard for a new millennium would work. It would simply mean the Fed would stop guessing how much liquidity is good for the economy and allow the market to make that decision for it. With the Fed out of the picture in terms of gold, with American citizens free to buy and sell gold at will, the Fed would forget about raising or lowering interest rates and simply add liquidity (buy bonds) when the price of gold tries to fall and subtract liquidity (sell bonds) when it tries to rise. Markets would determine interest rates.

The paper dollar would once again be as good as gold—no more, no less. There would be no need for the U.S. government to maintain a gold standard or redeem gold for dollars on demand since people would be free to do so on their own in the marketplace. As long as the Fed calibrated its inflations and withdrawals of liquidity by the market price of gold, the world would be free of monetary inflations and deflation caused by the whims and errors of central bank governors. It was the case for more than 200 years when the private Bank of England managed the pound sterling in exactly that way.

NOTHING SIMPLER

The good news is that this could all be done easily, if President Bush and Treasury Secretary Paul O’Neill could work out an accord with Alan Greenspan. That accomplished, the Fed calibrates its inflations and withdrawals of liquidity by the market price of gold, the world would be free of monetary inflations and deflations caused by the whims and errors of central bank governors, as was the case for more than 200 years when the private Bank of England managed the pound sterling in exactly that way.

NAZI WAR CRIMINALS

RESOLUTION

Mr. COBHRAI, Madam President, last week I introduced two resolutions appointing citizen regents of the Board of Regents of the Smithsonian Institution. It is an honor to serve on the Board of Regents as one of the three United States Senators privileged to do so. My fellow Regents, Senators Prizer and Leahy join me as cosponsors of both resolutions.

At its May 7, 2001 meeting, the Board of Regents voted to nominate Ms. Anne d’Harnoncourt for a second term and Mr. Roger W. Sant to fill the vacancy caused by the resignation of the Honorable Howard H. Baker, Jr.

For the information of the Senate, I ask unanimous consent that the curriculum vitae of Ms. d’Harnoncourt and the biographical sketch of Mr. Sant be printed in the RECORD, following my remarks.

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

CURRICULUM VITAE OF ANNE D’HARNONCOURT

(MRS. JOSEPH J. RISHIK)

Born September 7, 1943, Washington, DC.

Present Position: The George D. Widener Director and Chief Executive Officer Philadelphia Museum of Art


Radcliffe College, Cambridge, MA, 1961–1965; Majored in History and Literature of Europe and England since 1740, with additional course work in the history of architecture. The thesis was a study of the poetry of Shelley and Holderlin, B.A. magna cum laude, June 1965.


Horors: Elected to Phi Beta Kappa in 1964; Captain Jonathan Fay Prize, Radcliffe College, 1965; Chevalier dans l’Ordre des Arts et