

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 inter-

est 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 closed 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 balanced 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).

ORDER OF PROCEDURE

Mr. DASCHLE. Mr. President, Senator LOTT and I have been continuing in our discussions and negotiations throughout the day. We have reached an agreement, and we are now in a position to lay the resolution before the body. It is my intention to have a vote—as I understand it, there is no request for a rollcall vote—at 3:30 this afternoon. So I encourage those Senators who wish to participate in the debate, or to present their views, to come

to the floor between now and 3:30. At that time, I will ask that the Senate vote on the organizing resolution.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DASCHLE. Mr. President, I ask unanimous consent that the vote occur at 3:30 and that it be a unanimous-consent request for a voice vote.

The PRESIDING OFFICER. Is there objection?

Mr. LOTT. Reserving the right to object, Mr. President, and I will not object.

Mr. DASCHLE. Mr. President, I ask the request be vitiated.

The PRESIDING OFFICER. The request is so vitiated.

Mr. LOTT. Mr. President, if I could be recognized at this point, I do want to say I was certainly willing to cooperate with that. I have asked if there is a Member who feels the necessity of a recorded vote. I have not been so notified. I want to make sure Members understand we anticipate there will be a voice vote. However, there will be opportunity for debate and a colloquy which Senator DASCHLE and I will have between now and 3:30.

So Members can have some idea of what to expect, we do expect to have the vote around 3:30. In the debate or comments that will need to be put in the RECORD, they can still be made after that. But between now and that time, we still have an opportunity for Members to present their statements on the RECORD.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The Chair recognizes the majority leader.

CONDUCT OF A 50/50 SENATE

Mr. DASCHLE. The other day, I quoted the writer Thomas Wolfe who said:

America is not only the place where miracles happen, they happen all the time.

If the resolution I will soon introduce is not miraculous, it is, at the very least, historic. It is also fair and reasonable. The details and the spirit of this agreement, which I expect the Senate to pass later today, should enable us to conduct our Nation's first 50/50 Senate in a most productive and bipartisan manner.

I especially thank the Republican leader, Senator LOTT. We will enter into a colloquy in a period of time to be later determined, but I must say, without his leadership and his sense of basic fairness, this agreement would not have come about. He and I have spent many hours over the last several months, and now weeks, and certainly in the last several days, negotiating the details of this agreement. He spent many more hours consulting with the members of his caucus about it. He and they deserve credit for taking this unprecedented step.

I also thank and commend my colleagues on this side of the aisle for their good counsel and patience as this agreement was negotiated, and for their support of the finished product. I particularly thank our distinguished President pro tempore, ROBERT C. BYRD, for his advice. When you are making history, you can't have a better guide than the man who has literally written the book on the history of the Senate.

Our negotiations involve many difficult issues and many strongly held opinions. Neither party got everything it wanted. Both sides made concessions. Both caucuses made principled compromises. That is the essence of democracy.

This agreement accurately reflects the historic composition of the Senate. More important, I believe it reflects the political thinking of the American people. It calls for equal representation on Senate committees. Every committee would have the same number of Republicans and Democrats. And it specifies that Republicans will chair the committees after January 20. It allows for equal budgets and office space for both caucuses, at 50/50.

One of the most vexing questions we struggled with during our negotiations was how to break ties when committees are divided equally. We have agreed that in the event of a tie vote, either leader can move to discharge a bill or nomination. The Senate will then debate the motion to discharge for four hours, and that time will be equally divided. There will then be a vote on the motion. If the motion passes, the bill or nomination would be placed on the calendar.

Similarly, the resolution allows committee Chairs to discharge a subcommittee in the case of a tie vote and place the legislative item or nomination on the full committee agenda.

We arrived at this process after much thinking and exchange of ideas. Senator LOTT has been concerned that equal representation on the committees could lead to gridlock. While I do not share that concern, I believe this was a fair concession to get this agreement.

As to cloture, the resolution provides that no cloture resolution shall be filed by either party except to end a debate, and in no case would cloture be filed before at least 12 hours of debate.