IN HONOR OF PAUL O'DWYER

HON. CAROLYN McCARTHY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mrs. MCCARTHY of New York. Mr. Speaker, I rise to express my great sorrow at the passing of a wonderful man, Mr. Paul O'Dwyer who died last night at his home in Goshen, New York. Born in the tiny village of Bohola, County Mayo, Ireland, Paul was one of eleven children—the youngest son of two school teachers. As a young man, Paul left his native home and like millions of his fellow countrymen before him, set sail for America seeking a better life. He arrived in New York in 1926, and found work as a laborer on the shipping docks in lower Manhattan. While working long hours by day as a laborer, Paul managed to earn his law degree at night from St. John's University Law school.

As a young attorney in New York, Paul became the driving political force among the Irish of New York. He was a man of tremendous energy, and more importantly, tremendous conviction. His office was open to all who needed help and he was always ready to champion a good cause. Whether it was signing up African-American voters in the South when they were being denied the right to vote; organizing efforts to break the British blockade of Israel in 1948; fighting for the rights of labor; or galvanizing the Irish-American movement for justice in Northern Ireland, Paul never saw a wrong he didn't try to right.

I speak for all who of us who knew an loved Paul when I say he will be sorely missed—but his legacy will live on. I would like to extend my deepest sympathy to Paul's wife, Patricia, his sons, Brian, Rory, William, his daughter, Eileen and the rest of his family.

EVERY CURRENCY CRUMBLES

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mr. PAUL. Mr. Speaker, it has recently come to my attention that James Grant has made a public warning regarding monetary crises. In an Op-Ed entitled ''Every Currency Crumbles'' in The New York Times on Friday, June 19, 1998, he explains that monetary crises are as old as money. Some monetary systems outlive others: the Byzantine empire minted the bezant, the standard gold coin, for 800 years with the same weight and fineness. By contrast, the Japanese yen, he points out, is considered significantly weak at 140 against the U.S. dollar now to warrant intervention in the foreign exchange markets but was 360 as recently as 1971. The fiat U.S. dollar is not immune to the same fate as other paper currencies. As Mr. Grant points out, ''The history of currencies is unambiguous. The law is, Ashes to ashes and dust to dust.''

Mr. James Grant is the editor of Grant's Interest Rate Observer, a financial publication, and editorial director of Grant's Municipal Bond Observer and Grant's Asia Observer. He has also authored several books including the biographical ''Bernard Baruch: Adventures of a Wall Street Legend'', the best financial book of the year according to The Financial Times ''Money of the Mind: Borrowing and Lending in America from the Civil War to Michael Milken'', ''Minding Mr. Market: Ten Years on Wall Street with Grant's Interest Rate Observer'' and ''The Trouble with Prosperity: The Loss of Fear, the Rise of Speculation, and the Risk to American Savings''. He is a frequent guest on news and financial programs, and his articles appear in a variety of publications.

[From the New York Times, June 19, 1998]

EVERY CURRENCY CRUMBLES

(By James Grant)

Currencies, being made of paper, are highly flammable, and governments are forever trying to put out the fires. Thus a half decade before the bonfire of the baht, the rupiah and the yen, there was the conflagration of the markka, the lira and the pound. The dollar, today's global standard of value, was smoldering ominously as recently as 1992.

Monetary crises are almost as old as money. What is different today is the size of these episodes. It isn't every monetary era that features recurrent seismic shifts in the exchange values of so-called major currencies. On Wednesday morning, after coordinated American and Japanese intervention, the weakling yen became 5 percent less weak in a matter of hours.

People with even a little bit of money ought to be asking what it's made of. J.S.G. Boggs, an American artist, has made an important contribution to monetary theory with his lifelike paintings of dollar bills. So authentic do these works appear—at least at first glance, before Mr. Boggs' own signature ornamentation becomes apparent—that the Secret Service has investigated him for counterfeiting. ''All money is art,'' Mr. Boggs has responded.

Currency management is a political art. The intrinsic value of a unit of currency is the cost of the paper and printing. The stated value of a unit of currency derives from the confidence of the holder in the promises of the issuing government.

It cannot undergird confidence that the monetary fires are becoming six- and seven-alarmers. Writing in 1993 about the crisis of the European Rate Mechanism (in which George Soros bested the Bank of England by correcting anticipating a devaluation of the pound), a central bankers' organization commented: ''Despite its geographical confinement to Europe, it is probably no exaggeration to say that the period from late 1991 to early 1993 witnessed the most severe and widespread foreign exchange market crisis since the breakdown of the Bretton Woods System 20 years ago.'' But the European crisis has been handily eclipsed by the Asian one.

Monetary systems have broken down every generation or so for the past century. The true-blue international gold standard didn't survive World War I. Its successor, a half-strength gold standard, didn't survive the Great Depression. The Bretton Woods regime—in which the dollar was convertible into gold and the other, lesser currencies were convertible into the dollar—didn't survive the inflationary period of the late 1960's and early 1970's.

Today, the unnamed successor to Bretton Woods is showing its years. The present-day system is also dollar-based, but it differs from Bretton Woods in that the dollar is no longer anchored to anything. It is defined as 100 cents and only as 100 cents. Its value is derived not from a specified weight of gold, as it was up until Aug. 15, 1971, but from the confidence of the market.

For the moment, the market is highly confident. So is the world at large. In 1996, the Federal Reserve Board estimated that some 60 percent of all American currency in existence circulates overseas. The dollar has become the Coca-Cola of monetary brands.

However, as Madison Avenue knows as well as Wall Street, brand loyalties are fickle. In the early 1890's, the United States Treasury was obliged to seek a bailout from the Morgan bank. During the great inflation of the 1970's, Italian hotel clerks, offered payments in dollars, rolled their eyes. The yen, today reckoned dangerously weak at 140 or so to the dollar, was 360 as recently as 1971. The tendency of the purchasing power of every paper currency down through the ages is to regress. Is there any good reason that the dollar, universally esteemed today, should be different?

None. Certainly, the deterioration of the American balance-of-payments position doesn't bode well for the dollar's long-term exchange rate. Consuming more than it produces, the United States must finance the shortfall. And it is privileged to be able to pay its overseas bills with dollars, the currency that it alone can legally produce. Thailand would be a richer country today if the world would accept baht, and nothing but baht, in exchange for goods and services. It won't, of course. America and the dollar are uniquely blessed.

Or were. France and Germany have led the movement to create a pan-European currency, one that would compete with the dollar as both a store of value and a medium of exchange. The euro, as the new monetary brand is called, constitutes the first serious competitive threat to the dollar since the glory days of the pound sterling.

In a world without a fixed standard of value, a currency is strong or weak only in relation to other currencies. The dollar's ''strength,'' therefore, is a mirror image of—for example—the yen's ''weakness.'' It is not necessarily a reflection of the excellence of the American economy.

And no degree of excellence can forestall a new monetary crisis indefinitely. Some monetary systems are better than others, and some last longer than others, but each and every one comes a cropper. The bezant, the standard gold coin of the Byzantine empire, was minted for 800 years at the same weight and fineness. The gold may still be in existence (in fact—no small recommendation for gold bullion—it probably is), but the empire has fallen.

After the 1994 crisis involving the Mexican peso, the world's financial establishment vowed to stave off a recurrence. Even as the experts delivered their speeches, however, Asian banks were overlending and Asian businesses were overborrowing; the credit-cum-currency eruption followed in short order. Naturally, officials and editorialists are now calling for even better fire prevention systems.

But ''stability,'' the goal so sought after, is ever unattainable. The history of currencies is unambiguous. The law is, Ashes to ashes and dust to dust.

CAMPAIGN FINANCE

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mr. HAMILTON. Mr. Speaker, I insert my Washington Report for Wednesday, June 24, 1998 in the CONGRESSIONAL RECORD.

LIMITING CAMPAIGN SPENDING

Hoosiers will sometimes ask me why Congress doesn't simply change the system for

financing congressional races. They are concerned about the rapidly escalating cost of campaigns and the ''money chase'' by candidates, and there is usually a ''Just fix it'' tone to their question. It can obviously be difficult for Members of Congress to change a system under which they were elected, but there are other, more fundamental reasons why campaign finance reform is so difficult—reasons arising out of a Supreme Court decision made more than two decades ago.

The Buckley case: The debate over campaign finance reform has become closely linked to the First Amendment rights of speech, expression, and association. In a famous 1976 decision, *Buckley* v. *Valeo*, the Supreme Court held that the giving and spending of campaign contributions were forms of political speech protected by the U.S. Constitution. The Court, however, distinguished between the constitutional protection afforded campaign contributions to a candidate by individuals, political action committees (PACs), or other groups and the protection afforded campaign spending by the candidate or others for direct communications with voters. Congress, the Court concluded, could place reasonable limits on campaign contributions to candidates because those contributions pose the possibility of corruption, or at least the appearance of corruption. Campaign spending by candidates or others, on the other hand, could not be so limited because the risk of corruption was less apparent and did not justify restrictions on the free speech rights of candidates.

The Buckley case has been a very large obstacle to meaningful campaign finance reform. The upshot of the decision is that Congress can properly limit the amount an individual or PAC can give to a candidate, but not the overall amount spent by any given candidate. Congress has the authority to limit campaign spending indirectly through a voluntary system of public financing, as is used in Presidential campaigns, but resistance to public financing makes that alternative unlikely. Buckley has helped spawn a campaign finance system where hundreds of millions of dollars are spent each year on federal elections.

Need for reform: I believe it is time for the Supreme Court to revisit the Buckley decision. I agree that campaign spending deserves some protection as free speech, but also believe spending can be restricted consistent with the Constitution. As the Court in Buckley acknowledged, campaign spending limits could be upheld if there were compelling governmental interests to justify such limits. The Court did not find those compelling interests existed in 1976. I believe they exist today with over 20 years of documented evidence.

Time fundraising: First, spending caps can be justified as a way to limit the harmful effects of fundraising on the legislative process and our system of representative government. Candidates today are engaged in an ever-escalating effort to raise money. In 1976 my campaign cost about $100,000; in the last election it cost $1 million. The practical effect of the money chase is that candidates spend more time raising money and less time meeting with constituents and doing their legislative work. They are not gathering information, analyzing policy, or debating the issues with their fellow Members. They are not learning what questions and problems most trouble the voters or going to public forums to hold their views up to public scrutiny. Consequently, the legislative process suffers.

Money wins: Second, spending caps can be justified as a way to reduce anti-competitive electoral practices. The simple fact is that the candidates who spend the most usually, but not always, win. Wealthy or well-funded candidates have a decided advantage in seeking office. Too many talented and energetic people simply choose not to run because they don't have the stomach to get into the money chase or because they are dismissed as not being viable candidates without the money. Incumbents are fully aware of this dynamic and they exploit it. They amass large war chests to scare away the competition, and as a result many incumbents today run unopposed. The upshot is that political debate is curtailed, and people with large amounts of money drown out everybody else's speech.

Corruption: Third, spending limits can be justified as a way to go after the threat of corruption. Most voters today believe their elected representatives are beholden to people and interests with money, not to them. Many campaign contributions may come from the candidate's natural political base, but if he has to seek an unlimited amount of money he will have to tap money from outside his natural supporters. And that puts a lot of pressure on him to take positions he does not favor and do things he does not want to do. Every act an elected official takes, whether to vote one way or the other, to introduce a bill or not, to deliver a speech, to conduct a committee hearing, has to be assessed in terms of its potential to attract or repel campaign funds. This situation feeds voter cynicism and disillusionment with elected officials and with government.

Conclusion: A host of legislative proposals to address these problems are being shot down by references to the Buckley decision and the First Amendment. I have never understood the different treatment of contributions and expenditures in Buckley. My view is that if government is justified in restricting contributions it is justified in limiting spending as well. Democracy can be threatened by excessive activity on either the spending or the contribution side of campaign finance.

It is time for the Supreme Court to review and modify the Buckley decision. The government has a strong interest in restoring the health of our democracy. The very essence of representative government is challenged by the present regime of money raising. Money has produced a crisis in our democratic system. Voters perceive that money too often controls who runs and who wins and that candidates spend too much time chasing money rather than listening to them. They become disillusioned and their disillusionment leads to disengagement.

Surely the Court can find a way under our Constitution to prevent money from skewing electoral results or from disproportionately influencing the priorities, the activities, and the decisions of our elected representatives. We simply have to find a way to preserve democracy without sacrificing free speech. If we are to find a way to reinvigorate our democracy, we must reexamine the Buckley case.

STARR'S PREVIOUS DENIAL OF LEAKS MAY HAVE VIOLATED THE LAW

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 24, 1998

Mr. CONYERS. Mr. Speaker, I enter into the RECORD the following article from the National Law Journal concerning legal issues that have been raised by Mr. Starr's previous denials of allegations of improper disclosures by his office to the press.

[From the National Law Journal, June 29, 1998]

LIES, NOT LEAKS, REAL STARR ISSUE? CRITICS SAY HIS LEAK DENIALS MAY HAVE VIOLATED U.S. LAW

(By David E. Rovella)

Kenneth W. Starr's critics say the Whitewater independent counsel should be investigated for leaking grand jury information. But if he's found to have done anything wrong, it may not be for leaking, but for lying—the very offense Mr. Starr is trying to pin on the president.

Such thinking has gained some currency among lawyers connected to the investigation, but not because of Mr. Starr's recently published admission that he gave information to reporters—information some say may be protected by grand jury secrecy laws. Instead, defense lawyers are focusing on statements Mr. Starr made in the past six months, statements that gave the impression that he never commented about such matters.

For example, a defense lawyer involved in the investigation says confidential memos sent by the Office of the Independent Counsel to him and to the Justice Department deny such leaks. As a result, he argues, Mr. Starr's recent statements could make him vulnerable under 18 U.S.C. 1001(a)(2), which punishes false statements made to executive branch officials, such as U.S. Attorney General Janet Reno.

In short, Mr. Starr and Bill Clinton are accused of unseemly acts most people don't care much about. For Mr. Clinton, the allegation is sex with a White House intern. For Mr. Starr, it is allegedly illegal leaking. But if either man is brought down, it would not be because he committed an illicit act, but conceivably because he lied about it.

Just as Mr. Starr has been allowed to chase evidence of Mr. Clinton's lying or suborning perjury to cover up alleged sexual peccadilloes, lawyers representing possible targets of the Whitewater investigation say Ms. Reno should appoint a special prosecutor to investigate alleged leaks and any possible false statements made by Mr. Starr. Justice officials would only say that the Office of Professional Responsibility is reviewing the article in Brill's Content magazine, published June 15, in which Mr. Starr made his so-called leak confession.

The independent counsel has said in at least three separate public statements that information he provided to reporters did not violate Rule 6(e)(2) of the Federal Rules of Criminal Procedure, which requires grand jury secrecy. But observers say even the possibility that he lied increases pressure on the Justice Department to launch an unprecedented probe of the independent counsel.

''It's very parallel to Clinton and Lewinsky,'' says former Iran-Contra associate independent counsel Gerard E. Lynch. ''The question of leaks, like the question of consensual oral sex, is something only two people know about, and neither one wants to tell.''

THE DEFENSE OF STARR

In a June 16 letter to Mr. Starr, Clinton lawyer David E. Kendall listed various points during the six-month Lewinsky investigation when Mr. Starr had publicly declined to comment on grand jury matters, citing secrecy concerns. One lawyer close to the investigation, who requested not to be identified, says that when complaints about alleged leaking by Mr. Starr were filed with Deputy Attorney General Eric Holder Jr., Mr. Starr responded with scathing denials. ''He had made statements to Justice that he