tape, and the complexity of the application has discouraged families from signing up.

To address this problem, states are beginning to utilize new technology and the Internet to streamline enrollment in SCHIP and Medicaid. This new technology has enabled states to reduce program enrollment time, improve accuracy, increase access for applicants, and centralize social service applications in state government. States that have launched or are planning to launch web-based enrollment in SCHIP include: California, Arizona, Florida, Michigan, Georgia, Pennsylvania, Texas, and Washington.

While web-based enrollment is promising, many states are challenged by high start-up costs. This bill would provide states with more flexibility to use their federal SCHIP funds for this kind of activity, and would create a grant program to help States promote web-based enrollment.

The SCHIP Web-Based Enrollment Act of 2002 meets these objectives in the following ways: First, it would allow states to use unused, ''retained'' (redistributed from the federal government back to the state) SCHIP money for this effort. Under current law, a state may use up to 10 percent of retained 1998 allotments for outreach activities approved by the Secretary. The bill adds an additional provision under that section that allows states to use ANY AMOUNT of their retained funds for web-based enrollment outreach.

Second, the bill establishes a separate grant program, allowing states to apply for additional funds (separate from SCHIP money) for this purpose. The grant program would make $50 million available over 5 years, and grants would be subject to a match rate. The match rate would be tied to their SCHIP match rate, but states would be eligible for up to 20 percent more than their rate, not to exceed 90 percent.

Finally, this legislation provides assistance to states from HHS for development and implementation of the web-based enrollment system by providing information and technical assistance.

There are nine million uninsured children in the United States. In fact, a child is born without health insurance every minute in this country. We must do everything we can to make it easier for families to enroll children in the health insurance programs available to them. I believe that this bill will provide the necessary means to help states expand enrollment in SCHIP. I urge my Colleagues to support this important legislation. Thank you.

MONETARY PRACTICES

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 25, 2002

Mr. PAUL. Mr. Speaker, as the attached article (''A Classic Hayekian Hangover'') by economists Roger Garrison and Gene Callahan makes clear, much of the cause for our current economic uneasiness is to be found in the monetary expansion over most of the past decade. In short, expansion of the money supply as made possible by the policy of fiat currency, leads directly and inexorably to the kind of problems we have seen in the financial markets of late. Moreover, if we do not make the necessary policy changes, we will eventually see similar problems throughout the entire economy.

As the authors point out, our ability to understand the linkage between inflated money supplies and subsequent economic downturns is owing to the ground breaking work of the legendary economists of the Austrian school. This Austrian Business Cycle (or ''ABC'') theory has long explained the inevitable downside that attends to a busting of the artificial bubble created by inflationary fiat monetary practices.

In the current instance, the fact that there has been nearly a decade of significant increases in the seasonally adjusted money supply, as measured by MZM (as shown by the chart included with the article), serves as a direct explanation for the over capitalization and excess confidence which we have seen recently leaving financial markets. In short, as this article shows, the Austrian theory alone understands the causes for what has been termed ''irrational exuberance'' in the financial markets.

Mr. Speaker, I wish to commend the authors of this fine article as well as to call it to the attention of my colleagues in hopes that we will not merely understand its implications but also that we find the courage to change monetary policy so that we will not see a repeat performance of this year's market volatility.

A CLASSIC HAYEKIAN HANGOVER

(By Roger Garrison and Gene Callahan)

Are investment booms followed by busts like drinking binges are followed by hangovers? Dubbing the idea ''The Hangover Theory'' (Slate, 12/3/98), Paul Krugman has attempted to denigrate the business-cycle theory introduced early last century by Austrian economist Ludwig von Mises and developed most notably by Nobelist F. A. Hayek.

Yet, proponents of the Austrian theory have themselves embraced this apt metaphor. And if investment is the intoxicant, then the interest rate is the minimum drinking age. Set the interest rate too low, and there is bound to be trouble ahead.

The metaphorical drinking age is set by—and periodically changed by—the Federal Reserve. In our Fed-centric mixed economy, the understanding that ''the Fed sets interest rates'' has become widely accepted as a simple institutional fact. But unlike an actual drinking age, which has an inherent degree of arbitrariness about it, the interest rate cannot simply be ''set'' by some extra-market authority. With market forces in play, it has a life of its own.

The interest rate is a price. It's the price that brings into balance our eagerness to consume now and our willingness to save and invest for the future. The more we save, the lower the market rate. Our increased saving makes more investment possible; the lower rate makes investments more future oriented. In this way, the market balances current consumption and economic growth.

Price fixing foils the market. Government mandated ceilings on apartment rental rates, for instance, create housing shortages, as is well known by anyone who has gone apartment hunting in New York City. Similarly, a legislated interest-rate ceiling would cause a credit shortage: The volume of investment funds demanded would exceed people's actual willingness to save.

But the Fed can do more than simply impose a ceiling on credit markets. Setting the interest rate below where the market would have it is accomplished not by decree but by increasing the money supply, temporarily masking the discrepancy between supply and demand. This papering over of the credit shortage hides a problem that would otherwise be obvious, allowing it to fester beneath a binge of investment spending.

An artificially low rate of interest, then, sets the economy off on an unsustainable growth path. During the boom, investment spending is excessively long-term and overly optimistic. Further, high levels of consumer spending draw real resources away from the investment sector, increasing the gap between the resources actually available and the resources needed to see the long-term and speculative investments through to completion.

Save more, and we get a market process that plays itself out as economic growth. Pump new money through credit markets, and we get a market process of a very different kind: It doesn't play itself out; it does itself in. The investment binge is followed by a hangover. This is the Austrian theory in a nutshell. (Ironically, it is the theory that Alan Greenspan presented forty years ago when he lectured for the Nathaniel Branden Institute.) We believe that there is strong evidence that the United States is now in the hangover phase of a classic Mises-Hayek business cycle.

In recent years money-supply figures have become clouded by institutional and technological change. But in our view, a tale-telling pattern is traced out by the MZM data reported by the Federal Reserve Bank of St. Louis. ZM standing for ''zero maturity,'' this monetary aggregate is a better indicator of credit conditions than are the more narrowly defined M's.

After increasing at a rate of less than 2.5% during the first three years of the Clinton administration, MZM increased over the next three years of the Clinton administration, MZM increased over the next three years (1996–1998) at an annualized rate of over 10%, rising during the last half of 1998 at a binge rate of almost 15%.

Sean Corrigan, a principal in Capital Insight, a UK-based financial consultancy, has recently detailed the consequences of the expansion that came in ''. . . autumn 1998, when the world economy, still racked by the problems of the Asian credit bust over the preceding year, then had to cope with the Russian default and the implosion of the mighty Long-Term Capital Management.'' Corrigan goes on: ''Over the next eighteen months, the Fed added $55 billion to its portfolio of Treasuries and swelled repos held from $6.5 billion to $22 billion . . . [T]his translated into a combined money market mutual fund and commercial bank asset increase of $870 billion to the market peak, of $1.2 trillion to the industrial production peak, and of $1.8 trillion to date—twice the level of real GDP added in the same interval'' (http://www.mises.org/fullarticle.asp?control=754).

The party was in full swing, and the Fed kept the good times rolling by cutting the fed funds rate a whole basis point between June 1998 and January 1999. The rate on 30-year Treasuries dropped from a high of over 7% to a low of 5%. Stock markets soared. The NASDAQ composite went from just over 1000 to over 5000 during the period, rising over 80% in 1999 alone. With abundant credit being freely served to Internet start-ups, hordes of corporate managers, who had seemed married to their stodgy blue-chip companies, suddenly were romancing some sexy dot-com that had just joined the party.

Meanwhile consumer spending stayed strong—with very low (sometimes negative) savings rates. Growth was not being fueled by real investment, which would require forgoing current consumption to save for the future, but by the monetary printing press.

As so often happens at bacchanalia, when the party entered the wee hours, it became apparent that too many guys had planned on taking the same girl home. There were too few resources available for all of their plans to succeed. The most crucial—and most general—unavailable factor was a continuing flow of investment funds. There also turned out to be shortages of programmers, network engineers, technical managers, and other factors of production. The rising prices of these factors exacerbated the ill effects of the shortage of funds.

The business plans for many of the startups involved negative cash flows for the first 10 or 15 years, while they ''built market share.'' To keep the atmosphere festive, they needed the host to keep filling the punch bowl. But fears of inflation led to Federal Reserve tightening in late 1999, which helped bring MZM growth back into the single digits (8.5% for the 1999–2000 period). As the punch bowl emptied, the hangover—and the dot-com bloodbath—began. According to research from Webmergers.com, at least 582 Internet companies closed their doors between May 2000 and July of this year. The plunge in share price of many of those still alive has been gut wrenching. The NASDAQ retraced two years of gains in a little over a year.

During the first half of 2001, the Fed demonstrated—with its half-dozen interest-rate cuts and a near-desperate MZM growth of over 23%—that you can't recreate euphoria in the midst of a hangover.

It all adds up to the Austrian theory. As a final twist to our story, we note that Krugman, who before could only mock the Austrians, has recently given us an Austrian account of our macroeconomic ills. In his ''Delusions of Prosperity'' (New York Times, 8/14/01), Krugman explains how our current difficulties go beyond those of a simple financial panic:

''We are not in the midst of a financial panic, and recovery isn't simply a matter of restoring confidence. Indeed, excessive confidence [fostered by unduly low interest rates maintained by rapid monetary growth?—RG & GC] may be part of the problem. Instead of being the victims of self-fulfilling pessimism, we may be suffering from self-defeating optimism. The driving force behind the current slowdown is a plunge in business investment. It now seems clear that over the last few years businesses spent too much on equipment and software and that they will be cautious about further spending until their excess capacity has been worked off. And the Fed cannot do much to change their minds, since equipment spending [at least when such spending has already proved to be excessive—RG & GC] is not particularly sensitive to interest rates.''

With Krugman on the verge of rediscovering the policy-induced self-reversing process that we call the Austrian theory of the business cycle, we confidently claim that current macroeconomic conditions are best described as a classic Hayekian hangover. The Austrian theory, of course, gives us no policy prescription for converting this ongoing hangover into renewed euphoria. But it does provide us with the best guide for avoiding future ones.

TREASURY AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 2003

SPEECH OF

HON. MIKE ROGERS

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 24, 2002

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 5120) making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 2003, and for other purposes:

Mr. ROGERS of Michigan. Mr. Chairman, I want to thank my colleagues, and I will ask for their help today because Michigan is in need.

In the Civil War, Michigan mustered 90,000 troops to defend the Union. During that tumultuous time in our history, Abraham Lincoln was quoted as saying: ''Thank God for Michigan.'' We have the second most diverse agricultural crop in the United States. We offer all the flavors of this great country to our fellow States.

Michigan is responsible for creating the permanent middle class in America when Henry Ford decided to pay the workers on the line $5 a day. During World War II, Michigan converted all of its automobile production plants into plants that produced military arsenal, making Michigan the arsenal of democracy for the world. We did that for the United States of America. Michigan is home of the Great Lakes, which account for 20 percent of the world's fresh water, all of it worth defending. And I am here to tell you today that Michigan right now is under attack. I need every colleague in this House from Maine to California to Florida and in between to step up to the plate and say, ''We will stand beside you, those who have stood by America before.''

In the year 2000, Canadians sent 4.2 million cubic yards of waste to Michigan, nearly double from the year before. Canada is the second largest land mass country in the world, and yet they are unable to handle their own trash. This situation gets worse.

Toronto is scheduled to close its last landfill at the end of the year. Recently, city workers in Toronto went on strike. I want to point this out to you. This is the scene in Toronto just a few weeks ago: trash blocking roadways. This is a park area filled with trash from Toronto. As you can see, the residents were throwing bags of garbage over the fence, piling up everywhere all across their city.

Here is the bad news. All of that trash that my colleagues see right here is coming to the great State of Michigan and we are absolutely uncertain as to its contents. Let me just quote for my colleagues a woman from Toronto as quoted in the Toronto Star, when city workers settled a strike that allowed garbage to pile up in the streets. She was quoted as saying ''I'm relieved that it's on its way. It was polluted, smelly and germy.''

160 semi-trucks each day are delivering polluted, smelly and germy Toronto trash to the great State of Michigan. At the end of this year, when Toronto's last remaining landfill closes, that number is expected to exceed 250 trucks every day of this trash in our landfills. Michigan has had a long-term plan to deal with its own garbage. Just with Canadian trash alone, Michigan's landfill capacity has been reduced from 20 years to 10 years, and getting smaller every day.

In one landfill that accepts Canadian trash, PCBs and soiled coffin waste were discovered. The needle program in Toronto is coming to a landfill near you great citizens of Michigan.

This amendment is important today. There is a lot of work we need to do on this issue to stop Canadian trash. However, we ought to have the courage today to stand with our fellow Michiganders to give them at least the hope of protecting their environment in the great State of Michigan.

The purpose of my amendment is to hire six U.S. Customs agents to be stationed 24 hours a day on the Ambassador Bridge and the Blue Water Bridge, three at each bridge for every shift. The sole responsibility of these agents will be to inspect Canadian trash coming into Michigan. The money provided includes dollars for equipment, training and benefits.

Now, the only way to know what's in this trash is to get our hands dirty and inspect it. Let's find out where the PCBs are coming from, where the soiled coffin waste is coming from and where the bottles are coming, since Canada does not have a bottle deposit program like Michigan.

This is the right and decent thing to do, to let us in Michigan defend our borders as we have stood with the rest of this country to defend theirs.

I am going to ask my colleagues again today, please strongly support this amendment. We want to make sure that every trash container coming into Michigan meets existing environmental and health regulations. Today, we have no assurance that is happening. Today, we cannot be certain that there is no leeching from this material, ruining our lakes, our streams and ruining the great land of Michigan.

Instead of spending a little more money going after grandma who owes the IRS $12, we are going to spend just a little bit less from the $4 billion account that we are reducing to protect the health and environment of my home State, the great State of Michigan. I challenge all of my colleagues to please support this issue. Stand loudly with us as we tell the Canadians to please handle their own trash and leave the littering to those who get a ticket.

IN HONOR OF DORIS THOMAS

HON. NANCY PELOSI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 25, 2002

Ms. PELOSI. Mr. Speaker, I rise to pay final tribute to my friend Doris Thomas, who died peacefully on July 8 in San Francisco. Doris was a long-time community organizer and political activist who worked tirelessly to empower local communities through political involvement. Doris was a leader in our City, and I join so many other San Franciscans in mourning her passing.

Born in Laurel, Mississippi, to the Reverend Simon S. Thomas and Rosa Henry, Doris was one of five children. After earning a B.A. from Hampton University and a law degree from Howard University in Washington D.C., Doris moved to San Francisco. From 1963 until 1983 she served as District Director for the great Congressman Philip Burton. She was a patient, savvy problem solver who specialized in immigration issues. After Congressman Burton's death she worked for his wife, Congresswoman Sala Burton. Doris also worked for Mayors Frank Jordan and Willie Brown as a program manager for the Mayor's Office of Community Development.

Doris was a tireless champion of the African-American Community and a member of