

SINCE WHEN DOES A PRIVATE COMPANY tell
Congress what to do?

Hands off the Fed

Once again, Congress is looking into changing the way the nation's Federal Reserve Board works. Congress shouldn't.

One of the proposals before Congress is to change the way the presidents of the 12 regional banks are selected. Yet there is nothing wrong with the way it is done now.

Presently, the regional bank presidents are chosen by nine-member boards: three representing member banks; three representing the public; and three appointed by the Federal Reserve Board of Governors. The problem appears to be that none is elected by Congress.

The Federal Reserve seems to work. Let's leave it alone.

The nation needs a Fed free of short-term political influence and free also to make the difficult, unpopular long-term decisions that elected officials often find too painful to carry out.

Very simply, the Fed, through its regulation of money supply and interest rates, attempts to create a stable economic environment and thereby minimize uncertainty. As a result, the American people can make fundamental economic decisions that foster the saving and investment which, in turn, increase productivity and ensure higher growth and improved living standards over the long term.

The Fed's Board of Governors is selected by the President of the United States—although not always the same President—which would seem to obviate the need for further political input into the system. Or, should we change the U.S. Supreme Court every time a new President is elected, too?

Running the Fed is no easy task. It's a tightrope walk between too much expansion and just enough—with consequences that would make it akin to performing without a net. It is not a job for elected officials.

The Fed's independence may grate sometimes on the nerves of some politicians. But, like the equally independent Bundesbank, it is the envy of many nations. Giving elected officials additional power over the Fed politicizes the process of setting interest rates and determining money supply. And make no mistake. These are not arcane functions, of interest (no pun intended) only to economists and bankers. They affect every American.

For example, if you're looking to buy a house or sell one, interest rates are often the determining factor in such a decision. Starting a business, or expanding one? You may need to borrow money and, again, you'd be concerned about interest rates. The same would be true if you wanted to modernize a plant—or your kitchen. In short, the Fed impacts our lives in very different and very direct ways.

Politicizing it makes absolutely no sense. The Congress has enough to worry about and should leave well enough alone.

Mobil®

© 1993 Mobil Corporation

Newsweek

Published by

The Washington Post Company

Katharine Graham, Chairman of the Executive Committee

Donald E. Graham, Chairman of the Board and Chief Executive Officer

Alan G. Spoon, President and Chief Operating Officer

EDITOR-IN-CHIEF and PRESIDENT: Richard M. Smith

EDITOR: Maynard Parker

MANAGING EDITOR: Kenneth Auchincloss

ASSISTANT MANAGING EDITORS: Sarah Crichton, Aleza Galber, Evan Thomas, Mark Whitaker

ART DIRECTOR: Patricia Bradbury

DIRECTOR OF PHOTOGRAPHY: James K. Colton

SENIOR EDITORS: Jerry Adler, David M. Alpern, Jonathan Alter, Melinda Beck, Nancy Cooper, Michael Elliott (Diplomatic Editor), Hank Gilman, George Hackett, Joe Klein, Jack Kroll, John Leland, Tom Mathews, Ann McDaniel (Chief of Correspondents), Stryker McGuire (West Coast Editor), Cathleen McGuigan, Eric Press, Russell Watson, Dorothy Wickenden

DIRECTOR OF ADMINISTRATION: Thomas J. Manning

DIRECTOR OF RESEARCH SERVICES: Ted Slata

OPERATIONS DIRECTOR: Al Prybylowski

MANAGING ART DIRECTOR: Mark Michaelson

COVER ART DIRECTOR: Peter Comilini PICTURE EDITOR: Guy Cooper

DIRECTOR OF INFORMATION GRAPHICS: Bonnie Scranton

CONTRIBUTING EDITORS: Lincoln Caplan, Bill Coss, Gregg Easterbrook, Peter Goldman, David H. Hackworth, Mickey Kaus, Curry Kirkpatrick, Larry Martin, Jane Bryant Quinn, Robert J. Samuelson, George F. Will

SENIOR WRITERS: Katrina Ames, David Anson, Sharon Begley, Carroll Bogert, Geoffrey Cowley, Angus Deining, David Gates, David Gelman, Barbara Kantrowitz, David A. Kaplan, Mare Levinson, Annette Miller, Tom Morganthau, Larry Reistman, Michael Rogers, Sam Sarbaty, Laura Shapiro, Bill Turque, Harry F. Waters, Kenneth L. Woodward

GENERAL EDITORS: James N. Baker, Karen Breslau, Mathilde Camacho, Patricia Conway, Tony Emerson, Richard Ernsberger Jr., Mark Frankel, Jeff Giles, Tila Dioso Gillespie, Lucy Howard, Michele Ingrania, Malcolm Jones Jr., Nikki Lee-Cunnion, Tom Masland, Michael Meyer, Susan Fleming Moran, Peter Plegans, Tom Post, Peter J. Salber (Library), Jean Seligmann, Jolie Solomon

OPERATIONS: Donald Garrido, Production

ASSOCIATE EDITORS: Ray Anello, Joseph M. Arena, John Burke, Gregory Cario, Bill Christophersen (Letters), Fred Coger, Jerry Eitelberg, Richard Gerstner, Paul E. Keating, Maggie Malone, Rebecca M. Pratt, Steven Shabad, Ed Silver, Nancy Stadtman, Dody Talarant, Constance Wiley

ASSISTANT EDITORS: Jennifer Booth, Temma Ehrenfeld, David R. Friedman, Abigail Kuflik, Connie Leslie, Patricia W. Mooney, Tessa Nemuth, Cecilia Selber, Ray Sawhill, Elizabeth Shofer, Marilyn Souders

SENIOR EDITORIAL ASSISTANTS: Lincoln J. Abraham, Martin Burke, Vernon Church, Aldan D. Cohen, Melanie Anne Cooper, Thomas A. Dougherty, Dobrica Doolan, Andrew Eckmann, Regina Elam, Gary Faulkner, Stephen Gencarelli, Lynn James, Patrice Johnson, Frank G. McCusker, Aidan G. Mooney, Marc N. Poyner, Patrick Rogers, Kenneth S. Seggerman, Lynn Seiffer, Bruce Shenitz, William Slate, Mata Stevenson, Anne Underwood, Ronald E. Wilson, John Wojno

EDITORIAL ASSISTANTS: Rudolph Adams Jr., Nina Archer Biddle, Olwen Clarke, Barbara H. Di Vittorio, David Gordon, Kendall Hamilton, Judith Hausler, Stephan J. Kozson, Charles S. Lee, Gretchen Luchinger, Joan McFala, Susan Miller, Seema Nanna, Paul O'Donnell, Howard Price, Joshua Cooper Ramo, Dany Sany, Robert F. Service, Robin Sparkman, Tyrone Teekah

ART: Kandy Littrell (Senior Art Director, Cover), Doris Downes-Jewett, Alexander Ha, Lisa Michurki (Senior Art Director), Christoph Blumrich, Gary Falkenstein, Meredith H. Hamilton, Mark A. Ingia, Jim McManus, Vivette Porpes, Dixon Rohr, Kayvan Sotoudeh, Ross Unea, Andrea K. Wieder, Michael Zechner

PICTURES: Hillary Raslin (deputy), Susan Ackerman, David M. Berkwitz, Dubravka Bondule, Nia Kriehaus Butten, Cynthia Carria, Patrick J. Cashin, Jacques M. Chenet, Curtis Cravens, Jessica De Witt, Joseph Dwyer, Joan Engala, Elizabeth Galloway, Howard Heyman, Anthony Kleve, Stella Kramer, Myra Krivman, Silvio Marinuzzi, Elizabeth Mearin, Bernice McWilliams, Richard Pena, Meredith Rau, Joseph Romano, Tom Tarnowsky, Suzanne Taylor

CONTRIBUTING PHOTOGRAPHERS: Andy Hernandez, Robert Mann, Wally McNamee, Mark Peters, Maggie Steber, Peter Turnley, David Walberg, Theo Westenberger, Ira Wyman

DOMESTIC BUREAUS: Washington: Evan Thomas, Eleanor Clift, Thomas M. DeFrank, Howard Fineman, John Barry, Farsi Chideya, Bob Cohn, Daniel Glick, Mary Hager, Shirley Hoffman, Mark Rosenball, Lindy Leo, Melinda Liu, Rich Thomas, Steven Waldman, Douglas Waller, Jane Whitmore, Pat Wingert, Amanda Zimmerman, Larry Downing, John Fickers (photographer), Atlanta: Vern E. Smith, Boston: Mark Starr, Carolyn Friday, Chicago: John McCormick, Karen Springen, Detroit: Frank Washington, Houston: Ginny Carroll, Peter Annin, Los Angeles: Stryker McGuire, Charles Fleming, Donna Fooks, Mark Miller, Andrew Marr, Lester Sloan (photographer), Miami: Spencer Reiss, Peter Katel, New York: Lucille Benchy, San Francisco: Patricia King, James D. Wilson (photographer)

FOREIGN BUREAUS: London: Daniel Dederzen, Paris: Theodore Stanger, Marcus Mabry, Warsaw: Andrew Nagorski, Balkans: Rod Nordiac, Moscow: Dorinda Elliott, Cairo: Christopher Dickey, Jerusalem: Jeffrey Bartholot, Nairobi: Joshua Hammer, Johannesburg: Joseph Contreras, Tokyo: Bill Powell, Peter McKillop, Beijing: Frank Gibney Jr., Hong Kong: Steven Strasser, Tony Clifton, Bangkok: Ron Morrow, Mexico City: Tim Padgett, Buenos Aires: Brook Larmer

Newsweek International

EDITOR: Kenneth Auchincloss

MANAGING EDITOR: Peter McGrath

SENIOR EDITORS: Michel Glannon, Paul Maklmed

REGIONAL EDITORS: Scott Sullivan (Europe), Steven Strasser (Asia), Christopher Dickey (Middle East), William Burger (Europe Economics Editor), Bill Powell (Asia Economics Editor)

PRODUCTION MANAGER: Joseph A. Cosenza

Published by Newsweek, Inc.

EXECUTIVE VICE PRESIDENTS:

U.S. PUBLISHER and GENERAL MANAGER: Harold Shain

PRESIDENT, INTERNATIONAL: Peter J. Luffman