

The supervisor here says to our legislature: "Joe Ray was designated learning-disabled in the local public school. At the end of his fifth grade year, he was reading between second and third grade level. He hated writing anything. His distraction level was extremely high; and to complicate things even more, he had some fine-motor problems."

"Being an elementary educator myself, I knew Joe Ray would never be at grade level if he continued in a school system where he had only received an hour of special attention during each day. His future looked dismal and accomplishing the basic skills he needed to go on to middle school and high school seemed remote."

The teacher goes on that one day she heard an advertisement on the radio about the scholarships, and a school that appealed to children similar to Joe Ray, and so this teacher began the application process to try to get one of these scholarships, and succeeded. Here is what happened.

The teacher goes on: "Joe Ray applied for the ACE scholarship and received a 4-year partial scholarship to a private school. With help from his mentor and his mentor's supervisors, the obstacles were falling one by one. Let me tell you more miracles. Joe Ray aced last semester's report card. His teacher says he is a wonderful young man to work with, an eager learner. The multisensory math program is helping him to remember his times tables, and his confidence is growing. He now frequently looks you in the eye when he talks to you. This is just one young boy who is benefiting from the investments that scholarships have made to his future. I hope this encourages some of you."

Again, testimony like that is the kind of testimony we are just collecting every day from people around the country who realize the power and the value of finding a way to create a massive cash infusion in America's education system in a way that benefits children in public schools and private schools, and those who perhaps want to move from one category to another.

The system we have today is a discriminatory one, and it is unfortunate to have to say that, but the reality is, it does discriminate. It discriminates; it gives a tremendous amount of favor to those children who make the kinds of decisions or the parents of these children that make the kinds of decisions that meet the satisfaction of people who work in government.

What we are saying is, no, the people in government, they are nice, we care about them, but we want to make children the top priority. That is what the education tax credit does. It starts putting kids like Joe Ray and kids like Sasha Ward in the driver's seat, makes them the top priority, and really forces in the end I think a reformation of the education process, so all of those involved in the education system start

serving children, rather than just counting them as numbers to drive dollars through a school finance formula.

Mr. SHADEGG. I think the gentleman said it well. The key is, this is not a replacement for the current system. People in the current system and believers in it should not feel threatened by it. What it is, is a chance to add resources to the current system. It is a chance to make it even stronger. It is a chance to put more dollars behind education. It is a chance to get people more involved in the education of their children. It is a chance to get around the bureaucracy and have the accountability run directly to people in their own neighborhoods.

It is indeed for that reason I think a win-win that should not threaten the education establishment and should encourage them. So I compliment the gentleman and my colleague from Michigan for their very hard work on this project.

Mr. SCHAFFER. I thank the gentleman. I am grateful for my two colleagues for joining me here on the floor for this Special Order. This is a topic we feel very strongly about. We will be back week after week to continue talking about children and education tax credits and the necessity to get this proposal passed to help these children.

WHAT HAPPENS IN AMERICA WHEN CORPORATIONS VIOLATE THE PUBLIC TRUST

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Michigan (Mr. HOEKSTRA) is recognized for the time remaining before midnight, or approximately 41 minutes.

Mr. HOEKSTRA. Mr. Speaker, I want to talk about a little bit different issue. I want to talk about what happens in America when corporations violate the public trust.

Max De Pree, a former Fortune 500 CEO, my former boss at Herman Miller, wrote in his book, "Leading Without Power," about the importance of people having trust and confidence in the American economic system in order for it to work. He states, "When you stop to think about it, it is astounding that anything as complex as the trading of stocks, bonds, commodities, and futures ultimately depends on trust; a value, not a statute, not an SEC regulation, not even a government mandate. The system works on trust."

We have been rocked during the last couple of months with revelations about corporate management and some of the activities that they have been engaged in. It all started with the actions of Enron Corporation and certain employees of Arthur Andersen, where the actions at Enron and Arthur Andersen I believe were clearly designed to do one thing: to deceive shareholders, customers, and employees of the true nature and health of the business.

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After that we had Merrill Lynch. Merrill Lynch just settled a lawsuit in New York after allegations that their brokers were advocating investors purchase certain stocks while at the same time acknowledging in internal memos that these were potentially bad investments. Enron, Arthur Andersen, Merrill Lynch, each of these cases, I think, are classic examples of where leaders in the business community violated the trust that was placed in them by the public, including their customers, their shareholders, and their employees.

The other thing that goes on here is that in my State of Michigan, there is even more examples. CMS Energy, a long-established and well-respected business in Michigan, conducted round trip sales of electricity. My belief is that the sole purpose of this phony business activity was to artificially elevate the sales of one of its business divisions of up to 80 percent, again deceiving shareholders, customers and employees of the true health of the business. What is round-tripping? Round-tripping is I will sell you \$1 billion of energy at 9 o'clock in the morning, a billion dollars of electricity at 9:00 in the morning, and at 9:01 you sell it back to me for exactly the same price, and all of the sudden you and I are now both billion dollar companies in the electricity commodities market. And in reality it was a phony sale.

Take a look at this headline recently. Another Michigan company. Kmart, employees at Kmart recently allege that they were forced by management to adjust financial statements to hide the true viability of the business in 2001. The company filed for bankruptcy in 2001. Kmart accused of lying. Whistleblowers came, execs misled, and accountants knew.

What happens when corporations betray the public trust? As we have seen in almost each of these cases, the financial ramifications have been devastating. These companies have even seen their stock values drop; some have been forced into bankruptcy. Worse, innocent people, tricked by these deceptions, have lost their retirement savings, employees have been laid off and investors have seen their investments evaporate. The end result may be that millions of honest businesses in America may be forced to pay a heavy price in new government regulations.

It is really time for the business community and leaders in the business community to become self-policing and to bring forward proposals to address this breaking of the public trust by people in the business community. Remember, the system works on trust.

And then the other thing that happens here is you almost add injury to insult. Many, if not most, of the management people involved in these deceptive activities have not only gone unpunished, they have been rewarded with huge severance or compensation packages. There is something wrong in America when business leaders break

the public trust and harm many but they walk away with a golden parachute. What do I mean here?

Well, we know what happened at Enron, deceptive business practices. Ken Lay, former chair, chief executive and director, sold 1.8 million shares for about \$50 a share. Jeffrey Skilling, former chief executive, director, sold 1.1 million shares for \$66.9 million, roughly \$66 a share. Rebecca Mark, vice chairman, director, 1.4 million shares. She sold them for about \$58 a share. Robert Belfer, director, member of executive committee, sold a million shares for \$51 dollars a share. Steven Kean sold 64,932 shares for around \$70 a share. John Duncan, director of the executive committee, sold 35,000 shares, netted \$2 million or around \$60 a share. They walked out very, very wealthy. We know that many did not do as well.

After the Enron collapse, to track exactly the dialogue that Enron management would have with their shareholders, I bought 50 shares. I did not have to pay \$50. I did not have to pay \$66. I did not have to pay \$68. I think I paid around 20 cents a share. I bought 50 shares for \$10. Lots of investors were hurt because of the deceptive practices at Enron and at Arthur Andersen. But the people at the top, 101 million, 66 million, 79 million, 51 million, 5 million, 2 million, they did not end up selling their shares for 20 cents a share.

The president of CMS Energy, here is how one shareholder described what happened here. Referring to the resignation of the lower ranking Pallas, the shareholder said it was analogous "to kicking the cat when the dog messed on the carpet."

Again, the share prices declined. I think the executives are going to do just fine.

Bernard Ebbers, chairman and CEO, WorldCom. Worldcom is being investigated by the SEC for possible fraudulent accounting practices. Its credit rating has been reduced to junk status and it has been removed from the Standard and Poors 500 index, the Wall Street Journal, 6/5 of this year.

Bernard Ebbers will receive \$1.5 million a year for life. If his wife survives him, she will receive \$750,000 a year for life as long as she lives. The company's credit rating has been reduced to junk status. Bernard Ebbers resigned under pressure in April, but I believe he may do better than the rest of the company.

Richard McGinn, CEO, Lucent Technologies. The SEC is investigating possible fraudulent accounting practices while Lucent employees are suing the company for breach of fiduciary responsibility by inappropriately allowing employees to add company stock to their retirement plans. Richard McGinn, ousted in October of 2000, will receive \$5.5 million in cash, pay off a personal loan amounting to \$4.3 million, annual pension of \$870,000 for life.

Here is an interesting one. CEO for TYCO. TYCO is a company that we in my district are fairly familiar with. They came in and bought a healthy

small little business in Zeeland, Michigan, said we will leave things the same. The day after the sale was consummated, the doors were locked. The employees were gone. Dennis Kozlowski made about \$334 million over a 3-year period. He resigned earlier this month, indicted on charges of evading \$1 million in sales tax. Think about it, making more than \$100 million per year, and you got to ask the question, when is enough enough, or does it simply just become greed? \$100 million a year and you would do anything to evade \$1 million in sales tax so that the rest of us could pick up his tax burden.

TYCO is negotiating a severance package that experts believe will be less than the \$135 million he would have received if he had been fired.

Let us talk about the performance of TYCO under Mr. Kozlowski's leadership. TYCO lost \$86 billion in market value, faces \$27 million in corporate debt. It is now under investigation.

Here is a quote, according to Reuters, "A pattern of lucrative payoffs to board members and top executives at the troubled manufacturer raises questions about whether they had incentive to keep tabs on the spending of disgraced former chairman Dennis Kozlowski and others."

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Reuters continues citing the Wall Street Journal: "The criminal indictment has triggered a widening probe into whether Tyco paid for homes and artwork for several corporate officials without telling shareholders." Wall Street Journal, series of articles, 6-4 through 5-2.

It is just sad that that is what we are seeing in so much of the business world today. People who are entrusted by the public with a certain element of responsibility have taken that, and in many cases have enriched themselves, while their shareholders, their employees and their customers are paying the long-term price.

Here is another case that just came up in the last couple of days. This is The Washington Post via the Dow Jones, publication date June 2002. A company that was looking for FDA approval for a drug, ImClone, learning that the Food and Drug Administration would not accept its application for a promising cancer drug, driving its share price down. It appears that that word leaked out through the corporation to a number of individuals. The end result is they sold their stock before it collapsed. They came out all right.

The American public has a right to expect and demand more. Companies need to be held accountable. The business community should step up and make recommendations as to what should happen, because when public officials or corporate officials abuse the public trust, the whole sector suffers. In this case, corporate America suffers because of the excesses of a few. It is a

painful process to watch and to observe.

The end result now will be that either the private sector will come up with recommendations in how to effect change in the private sector or government will step in. I am not real optimistic about that. I believe that more government regulation of business is a poor replacement for integrity and trust. However, we must face the fact that some in business have abused this trust.

The end result is millions of honest businesses in America may be forced to pay a heavy price in new government regulations. I believe that we must hope that the individuals who failed in their leadership responsibilities are held accountable by their management, their board of directors, their shareholders, or by the laws of our land. They need to be held accountable.

This whole list of companies where millions of individuals got hurt but a few walked away with a golden parachute, here is a quote out of the Wall Street Journal that I find kind of appropriate: "I don't know that anyone gave a bonus to the captain of the Titanic."

In many of these cases, that is exactly what we saw, that after the misdeeds and the wrongdoing, whether it is at Enron or any of these other companies or Tyco, their market value plummeted. They sank like the *Titanic*. Yet their captains, their CEOs, walked away with a bonus.

We need to make sure that we prevent that from happening in the future. Yet the systems or laws do not exist to exercise true accountability. Then systems and laws will need to be changed, but let us not forget that, in the end, this is about integrity and trust, common sense and decency; all leadership qualities that cannot be legislated.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. HALL of Ohio (at the request of Mr. GEPHARDT) for today and the balance of the week on account of attending the World Food Summit in Rome, Italy.

Mr. LYNCH (at the request of Mr. GEPHARDT) for today on account of family matters.

Mr. COMBEST (at the request of Mr. ARMEY) for today and the balance of the week on account of the death of his father.

Mrs. BONO (at the request of Mr. ARMEY) for today and the balance on account of personal reasons.

Mr. SMITH of Texas (at the request of Mr. ARMEY) for today and the balance of the week on account of a death in the family.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to: