□ 1730

Whereas, over 500 nongovernmental organizations globally have endorsed the Barcelona March for Life, which demands treatment access to at least 2 million people in the developing world by the time of the 2004 International Conference on AIDS in Bangkok;

Whereas these organizations represent AIDS activists from Africa, Asia and the Pacific Islands, Australia, Europe, Central and South America, and North America, therefore, we declare as activists pledged to life for all persons with HIV/AIDS that we are committed to the following goals, which the gentlewoman from California (Ms. LEE) has set forth.

Mr. Speaker, I had an opportunity to represent the gentlewoman from California (Ms. LEE) at World AIDS Day in Seattle 2 years ago during the WTO, and it was my pleasure to sit on her behalf. What was most interesting to me was the fact that an epidemiologist came and testified before the organization that there were hundreds and thousands of grandparents raising grandchildren because the parents of these children have been infected with the HIV/AIDS virus and, therefore, were unable to take care of their own children. So grandparents are taking care of as many as 25 of their grandchildren.

I think we need to pay attention to, as the United States of America, and when we start thinking about the companies and corporations that are doing business in these developing countries, that they will not have available to them the workers to do the work in these countries. We need to pay attention to the HIV/AIDS virus and pay attention not only in developing countries, but in our own Nation.

In the United States, 950,000 have been diagnosed with AIDS. African Americans make up 13 percent of the total U.S. population, but 54 percent of the new infections, 82 percent of the women who are newly infected with HIV/AIDS are African American and Latino.

The time is up for us to sit back and believe the HIV/AIDS virus is affecting people other than Americans and we can just think about it being in another country and not deal with the issue.

I stand here in support of the Barcelona Declaration. I stand here in support of it on behalf of all the people of the world, but particularly on behalf of the people of the 11th Congressional District of Ohio, and I salute the gentlewoman from California (Ms. LEE) for her work in this area.

PRESIDENT BUSH REFUSES TO SUPPORT REAL REFORM

The SPEAKER pro tempore (Mr. KIRK). Under a previous order of the House, the gentleman from Ohio (Mr. BROWN) is recognized for 5 minutes.

Mr. BROWN of Ohio. Mr. Speaker, on Tuesday of this week, President Bush gave a major speech on his administration's plan to curb executive greed and corporate misgovernance in America.

Why was the President's speech so poorly received? Why did the markets drop by several hundred points in the 2 days following the speech? Why did so many Wall Street workers who attended the speech ask, How much of this speech was politics, and how much of it is about real change?

Because despite his calls for corporate America to clean its act, President Bush, at the behest of his corporate sponsors, his major contributors, his political base, his political friends, continues to oppose real reform on Capitol Hill. He has refused to support pension and accounting reform and takes millions of dollars from the securities and accounting professions. He will not support legislation to halt offshore tax avoidance, while receiving contributions from many major companies who have moved offshore to avoid paying those taxes. His budget severely underfunds the Securities and Exchange Commission.

To make matters worse, the President has pushed to turn the public program of Medicare over to the health insurance industry and to HMOs, again while receiving millions of dollars from that health industry for his campaign and for Republican campaigns in the House and Senate.

The President also advocates turning Social Security over to the same Wall Street banks that advised American investors to buy WorldCom, Enron, Adelphia, and Bristol-Myers, and all those others companies over the last few years, while their analysts have privately ridiculed these companies and investors.

More recently, the President endorsed a prescription drug plan that would be administered by the health insurance industry and would make no provision for dealing with the skyrocketing prices American seniors pay for prescription drugs, simply because the President and Republican leaders in this Congress do not want to upset the prescription drug industry.

Apparently, the President has been convinced by the brand-name drug industry that prices simply are not a problem. The plan would undercut seniors' purchasing power and enable the drug industry to sustain its outrageous drug prices by permitting the continued abuse and manipulation of drug patent laws. Three weeks ago in the Committee on Energy and Commerce as we were marking up the drug bill, the chairman notified us that we would be quitting at 5 p.m., even though we had 20 more hours of work to do, because all of the Republican Members trooped off to a $30 million fundraiser headlined by President Bush and Vice President CHENEY, and underwritten by the prescription drug industry.

The Chair of this fundraiser was the CEO of Glaxo, a British drug company which donated $250,000 to that event. The next day when we returned to business and our committee continued its markup on the prescription drug bill, amendment after amendment after amendment that was pro consumer was defeated because the drug companies wanted those amendments defeated.

The insurance industry has written legislation for the White House and the Republican leadership on Medicare privatization. The chemical industry has written legislation for the Republican leadership and the White House on environmental policy. The oil industry has written for Republican leadership and the White House legislation on energy. Wall Street has written for the White House and Republican leadership legislation on privatizing Social Security; and the prescription drug industry has written legislation dealing with pharmaceuticals for the White House and Republican leadership.

Coincidentally, Mr. Speaker, the most recent example of the President taking industry's side comes from today's headlines and also concerns prescription drugs. To avoid more questions about corporate accountability, President Bush left town today to give a speech in Minnesota on prescription drugs, and of course to headline a Republican fundraiser, his 34th this year, while we fight the war on terrorism.

The speech is timed to coincide with the release of an administration report, which conveniently concludes that the drug industry, America's most profitable industry year after year after year over the last 20 years, and an industry which enjoys the lowest tax rate of any industry year after year, his report concludes that the drug industry will be harmed by additional regulatory burdens, by lower prices imposed in part by this Congress.

Democrats are more concerned about the burden on seniors and their families who are being gouged by the predatory pricing of the pharmaceutical industry. That is why we support a direct prescription drug benefit with guaranteed coverage inside Medicare, not an insurance policy plan written by the drug industry.

Mr. Speaker, when will the administration do work in the public interest rather than on corporate interests?

CORPORATE ACCOUNTABILITY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Pennsylvania (Mr. GREENWOOD) is recognized for 60 minutes as the designee of the majority leader.

Mr. GREENWOOD. Mr. Speaker, it is fitting that this new hour follows that last 5-minute presentation which was a perfectly classic example of partisan rhetoric aimed more to gain political favor than to shed light on an issue.

What we are going to do for the next hour is exactly the opposite, that is, my colleagues from the Committee on Energy and Commerce are going to talk about how we can, in bipartisan fashion, deal with the corporate malaise, the corporate scandals that have rocked our country to make sure that American investors are in better shape and enjoy more confidence in the market in the future.

We are here to talk about the best way to ensure corporate accountability, restore investor confidence in our markets, and build a 21st-century model of corporate governance that will give us an honest, open, transparent and efficient marketplace.

Before I am joined by my other colleagues, I want to describe the challenges we in Congress, the administration, and the overwhelming number of honest men and women who run our country's publicly traded companies face in this effort. I want to begin by placing our work in the larger context of the remarkable events that have occurred in the executive suites of some of America's largest corporations and the unsettling erosion in corporate accountability.

What we have been witness to this year with the collapse of WorldCom, Adelphia Corporation, Tyco International, ImClone, Enron, and Global Crossing is almost beyond comprehension. Certainly the markets themselves remain confused. The Standards & Poor stock index is down 17 percent since the year began, and as Business Week reported, ''The inability of investors to distinguish honest companies from dishonest ones have caused them to sit on the sidelines. They are not buying.''

More disturbing, however, is the behavior of overseas investors. They are getting out. They are selling off their holdings and driving down the dollar, which has slipped 9 percent against the Euro since February.

Clearly we need in bipartisan fashion to take every reasonable and prudent step to restore confidence in our markets. But in doing that, we need to remember that this decline in the character of corporate governance did not occur overnight. What we are now experiencing are the terrible costs of the 1990s corporate culture that placed too high a premium on the effort to do well at the expense of doing what is right.

Look at the evidence. While there will probably be nearly 250 corporate earnings restatements this year, the number has been mounting since the mid-1990s. For example, while there were 157 financial restatements last year, there were nearly 200 in 1999, and 100 in 1998. The cost to investors has been high. It is estimated in a just-released study that these restatements resulted in total market value losses of $31.2 billion in 2000, but 1998 and 1999 restatements which accounted for market value losses of roughly $18 billion and $24 billion respectively were disturbing as well.

This brings me to a remark of one of our witnesses, Professor Bala Dharan of Rice University. He made it 2 weeks ago at our first hearing on the reform of the Financial Standards Accounting Board. When I asked if perhaps the boards of directors of our largest companies were too busy at the shrimp bowl to pay attention to their duties, his reply was that they were either ''snoring or ignoring.''

Then he went on to make what I believe was a chilling and sobering observation. Commenting on the events that led to the unraveling of firms like WorldCom, Tyco, and Enron he said, ''What is going on is that this is a case that involves an enormous number of people, and that is why I refer to them as financial engineering rather than just accounting. In order to do this, you also have to have the compliance of lawyers and investment bankers from the outside.''

He then concluded, ''We are witnessing a comprehensive approach to financial engineering that has been going on for the last 5–10 years.''

This is what we are confronting in our markets and in too many executive suites, a complex web of self-dealing and private arrangements which were conceived in a culture poisoned by a downward spiral in corporate ethics and management character.

This spectacular explosion of the Enron supernova brought all this to light in a dramatic fashion, but it did not happen overnight, nor can we hope to restore the integrity of our markets and the character of the men and women who run America's publicly traded companies without a long-term commitment to comprehensive reform in a wide array of areas.

We believe that our Republican approach both in the Congress and the White House embraces nearly all of the steps needed to accomplish our goal. We also believe that there is broad agreement by the members of both parties on nearly all the critical issues that need to be addressed.

I would be remiss if I did not mention that there will be a temptation in this political year to play up partisan differences by Members on both sides of the aisle. The heated rhetoric of the past few days has convinced me, and no doubt many others, that there are some in this body who are more interested in acquiring political capital than in protecting the financial capital of America's investors.

As we are a political body, nobody should be surprised at this. But I am asking my colleagues to remember this: what we are dealing with is very large, and it is about so much more than money or crime or greed, although there has been plenty of that. We must restore investor confidence and market integrity in the most potent weapon in democracy's arsenal, free markets directed by a free people. This is a sobering task, and my hope is that each of us will bring the level of seriousness and cooperation to it that allows us to achieve our common goal.

□ 1745

Mr. Speaker, I yield to the gentleman from New Hampshire (Mr. BASS).

Mr. BASS. Mr. Speaker, I thank my friend from Pennsylvania for yielding to me.

I have to say in the 8 years I have been here, at no time has it been more painful for me to listen to partisan rhetoric associated with an issue than has been the case in this debate. The issue of corporate governance is not a Republican issue or a Democratic issue; it is not the fault of one administration or another. Certainly the problems arose and occurred during the previous administration, but I do not blame the previous administration, any more than I blame this administration.

We will not solve these problems, we will not address these problems proactively and effectively, by pointing fingers at each other and trying to accuse each other and make political hay out of a situation that demands calm, pragmatic and cooperative work on the part of everybody in this body to come up with a solution that restores confidence and creates growth and begins the process of growth again in our economy.

Mr. Speaker, I want to commend the work that has been done by our President and the speech that he made earlier this week in New York City. I want to pay particular attention to the exhaustive hearings that have been held by both the Subcommittee on Oversight and Investigations and the Subcommittee on Commerce, Trade, and Consumer Protection over the past 6 months.

Some of these hearings were held well before the crisis erupted to the point where it is today and may have in their content given regulators significant assistance and information and a prodding, quite honestly, to move forward and to make changes that may be way overdue.

Let me just say from the outset that the problem we face in corporate America is that there are a few very bad apples that have broken the law, and, as our distinguished committee chairman has said on a number of different occasions, these individuals should be prosecuted to the fullest extent of the law and they should be sent to jail, just like any other common criminal in this country. There is no difference between stealing money from investors and robbing a bank and stealing money or shoplifting in a store, except it is more serious, and they ought to go to jail for it.

Secondly, as I alluded to in the beginning of my comments, the solution to this problem should be bipartisan, bipartisan. The more we talk about whether it is a Republican's fault or a Democrat's fault, the harder it is going to be to come to a good, quick, effective solution, and the only people who are going to suffer from that are going to be consumers, investors, retirees, parents and families. So it is time we got together and cut out this partisan discussion.

Thirdly, I think we should direct regulators to move expeditiously to clean up the problems that we face and provide recommendations, which we have done in two pieces of legislation, one that was marked up by the Subcommittee on Commerce, Trade, and Consumer Protection yesterday and another one passed earlier by the committee.

But what we should not do, in my opinion, is put into statute what should be done by regulators, because when you place ideas into statute, they are there forever, effectively, for a long time, and conditions in the financial world change and you have to have flexibility to deal with problems as they arise and change things over time. We run the risk by forcing regulators to do things that we want or by passing laws that set regulations in statute that we will create problems in the economy that were unintended.

Thirdly, we should be very careful not to stifle capitalism in this country, that we should not stifle the ability of the hundreds of thousands of honest entrepreneurs in this country and hard-working Americans who are trying to make a go of it and are doing it honestly.

We do not want to turn every CPA in this country into a Federal bureaucrat. We do not want to have chief financial officers and executives answerable to the Federal Government instead of to their shareholders and to their boards of directors. We want to have a system of regulations in place that is flexible, accountable, transparent; no more, no less.

The fact is, we cannot in Congress legislate honesty. We never have and we never will. But we can work together as Republicans and Democrats to assure that the rule of law applies to all and that corporate America is held accountable. If we do this, we will get out of this problem quickly and we will look at a bright and prosperous period of economic growth in the years to come.

Mr. GREENWOOD. Mr. Speaker, I thank the gentleman.

I yield to the chairman of the Committee on Energy and Commerce, the man who has been leading us in all of these investigations, the gentleman from Louisiana (Mr. TAUZIN).

Mr. TAUZIN. Mr. Speaker, let me first thank the gentleman from Pennsylvania (Chairman GREENWOOD) for the extraordinary job he has done and the members of the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce in the now many-month-long series of investigations beginning with the Enron scandal and the series of hearings we had, exposing what we found to be massive, in our opinion, fraud and massive cooking of the books at that corporation, and the subsequent investigations that are ongoing even today in the failure of other corporate managers and boards of directors which have led to much of what we see, the carnage on Wall Street and the loss of millions and billions of dollars, in fact, in investor funds over the last year or so.

Those hearings and those investigations began as we learned of the serious problems at Enron. Our investigative staff, as you know, began working throughout over the Christmas holidays gathering information that was available to us. We uncovered the fact that Arthur Andersen employees were shredding documents, and we had to have hearings in advance of our hearings on Enron to expose that problem. That, as you know, has led to a Federal indictment and now a conviction.

We had to literally examine thousands and thousands of documents, and in those documents we found indeed the whistleblower memo that told us an awful lot about what had happened and what was going on at Enron that caused it to collapse and why, in fact, all the special partnerships and the outside special entities that were created were designed, not for economic reasons, but simply to hide debts and inflate income.

We have seen that replicated now in a number of different cases that the gentleman from Pennsylvania (Chairman GREENWOOD) has already mentioned and that most of us know about now, including with the latest criminal investigation announced of Quest Communications and the collapse of WorldCom on the world stage.

The one thing that we have learned out of all of these hearings is that when greed is unchecked by the fear of discovery, a lot of bad things happen. I suppose it is a little bit like having a lot of great laws against bank robbing, but then leaving the doors open and telling the policeman to go home, and then being surprised when somebody robs the bank.

Banks get robbed and laws can be as strong as we want to make them, but we still need good policemen on the beat and still need good laws to ensure that vaults are secure at night and managers of banks take care of the money in the bank on behalf of those who put their trust and their confidence and money in those banks.

So is it true with corporate America. More and more Americans are invested now in publicly traded companies. More and more Americans, without even knowing it sometimes, have their pension funds invested in corporate America and public funds. More and more Americans directly now invest over the Internet and trade stocks every day in the stock market. More and more millions of Americans, in fact, are now owners of American corporations, instead of just the few who might have owned them in years past. So more and more millions of Americans have a great stake in the way corporate America behaves.

The notion that corporate governance in the cases of these massive failures has now let these Americans down and that workers have been put out of their jobs and that pension funds have been devastated, not simply at the companies where those workers have their pension funds, but all the pension funds around America that were invested in these companies, the notion that that is happening in America at a time when we should have indeed a strong protective system at the SEC, we should have indeed strong enforcement of our laws, we should have boards of directors who carefully are representing the interests of those millions of American owners of American corporations, the notion that that could happen has literally shaken, I think, American investor confidence in this system, and we need to restore it quickly.

Now let me say something, Mr. Speaker, that I think needs to get said. The reason why our committee has been so passionate about what we have found and what we are learning about the failures in corporate America is that our committee is the Committee on Interstate Commerce. It is the oldest committee in this Congress. It is the only one mentioned in the United States Constitution.

Our Committee on Interstate Commerce has been for many, many years the committee that literally bears responsibility for making sure that the commerce of our country is conducted properly, that the economy of our country is strong, that its laws and regulations and the institutions that guide our economy are well-funded and operate well. To the extent this is happening on our watch, we have a responsibility to fix what is wrong and to make better laws and regulations to make sure it does not happen again.

But it also offends us more than anyone else. As defenders of the free market system, as people who have fought to make sure that free enterprise and the capital markets were allowed to flourish in America, as opposed to those who would like to strangle them with regulations and socialize many conditions in this country, we are the most offended when bad players, when corporate criminals mess it up for all the good players in this country, the thousands upon thousands of small business corporations and medium-sized corporations and even the large corporations in this country who do it right.

That is why we become so offended when some in the accounting industry violate their trust with so-called aggressive accounting and cook the books in a sense in collaboration with crooked executives to make it look like the companies are doing better than they should be, and then to take off with the stock and to sell it, where the pension holders cannot sell their stock, or while the rest of America who is invested in the company finds out they have lost so much of their savings.

That is why we are so passionately angry about what has occurred and why our committee is so desperate to get all the facts and to understand what is wrong with this system and to fix it so it does not happen again.

We are engaged today at our committee level in an investigation of 13 companies who have seen similar failure like Enron, who have gone through some efforts to either hide debt or inflate income beyond that which really existed, some effort to convince investors they were doing a lot better than they really were, and have now collapsed, and we have seen the loss of millions and billions of dollars to those investors.

We are investigating those 13 companies right now and looking particularly at the boards of directors. We are very interested in knowing who those boards of directors were, how were they selected. Were they selected to represent the interests of the investors, or were they selected to represent the interests of the managers? Were they selected to be the CEO's men and women on the board of directors, or were they selected to represent the interests of the real owners of the corporation, the American investors who put their hard-earned dollars into a belief that those companies were being run properly?

It shocked us in the Enron hearings to see how little the boards of director members who testified before our committee knew about what was going on, how much they took at faith the statements of the executives in that company that everything was okay and they were doing everything correctly and they should not ask any hard questions. It shocked us at how little the audit committees had done in reviewing those special partnerships in those entities created to hide debts and inflate income. It shocked us to think that those people who were serving on some of the most prestigious boards in America knew so little about what was really going on in their corporations, or at least claimed to.

So we are going after that issue. We are going to find out what is happening in the boardrooms of America.

There is some good news out of all of this. The good news in the face of all this carnage is that changes are occurring in corporate boardrooms of America. CEOs no longer have a friendly visit to their boards, they tell me. Boards are beginning to ask tougher questions. CEOs are having to answer the tough, hard questions about how their accounting is done. Accounting firms are beginning to have to answer hard questions by the audit committees and the finance committees of boards across America.

There is a sea change going on. On Wall Street, reforms are being recommended to separate those analysts who work for the investment houses, to separate them so people are not putting lipstick on ugly pigs and selling them to us as beauty queens.

□ 1800

We are beginning to see that change is being made at the SEC as they are recommending independent boards, and legislation is moving through Congress as a result of our hearings. Not only did this House, but the Senate now is taking up bills to deal with some of the issues of accounting misuse and abuses and to deal with the issues of independence of accounting and independence of corporate governance.

Just this week our committee produced a bill to reform the accounting standards at the FASB, the board under our jurisdiction that sets accounting standards for America. In addition, a committee of this House passed through this Congress a bill to protect the pension funds of America to make sure that corporate executives could not sell their stock while the pensioners were stuck holding theirs. That legislation is now in the Senate waiting for final action.

The bottom line is, we are beginning to see legislative action. We are beginning to see executive action, as the President himself has now issued an executive order. We are beginning to see reforms in corporate boardrooms across America and at the Wall Street offices in New York and around the country. We are beginning to see turnaround.

So the outrage that we have seen in our committee, the ugly picture we have seen in our committee of corporate misbehavior, corporate criminal conduct, is at least beginning to produce some good results. People are beginning to take it seriously. As my friends have said, the Justice Department and others are beginning to look seriously at indictments and, hopefully, convictions of those corporate criminals, and reforms are literally in the wind.

So it will take a little while for investors to really feel like things have changed, that they can put their money into an American corporation again and really believe that the boards of directors are going to represent them instead of someone else; who can really believe that corporate managers are going to be looking after their interests and not their own golden parachutes. Things are changing. The result of these hearings, the result of our ongoing investigations, I think, are going to build a better market for this country and beginning to have the investor confidence that really means something again.

But if anyone in this country owes an obligation to protect this free market system and the capital markets and how they are structured, a free market by which this American economy has led the world, it is those of us in Congress who serve on the Committee on Energy and Commerce, who have been responsible for over 200 years of protecting the interstate commerce of this country. Our committee will continue to do its work, and we will do it in a bipartisan fashion. We will ask our friends on the other side of the aisle, as we have always done in our committee and who have joined us in our FASB reforms, to join us as we go through these reforms and investigations until all the truth is known and all the reforms are in. This is great work we do. I hope we do it well.

I want to commend the gentleman from Pennsylvania (Mr. GREENWOOD) and the members of his Subcommittee on Oversight and Investigations for the incredible work they have done so far and, believe me, we have much work yet to do.

Mr. GREENWOOD. Mr. Speaker, I thank the chairman of the full committee for his remarkable remarks.

I recognize and yield such time as he may consume to the gentleman from Florida (Mr. STEARNS), the chairman of the Subcommittee on Commerce, Trade and Consumer Protection.

Mr. STEARNS. Mr. Speaker, I thank my colleague, and I am glad to be here and commend him for his special order on this issue.

As the gentleman knows, we marked up in the subcommittee that I chair H.R. 5058, which is the Financial Accounting Standards Board Act, which was introduced and passed by bipartisan support out of my subcommittee, which attempts to bring some of these financial accounting standards up-to-date and modern.

Mr. Speaker, in the roaring 1990s, investors were all caught in a spiral of ever-increasing optimism about the outlook for economic growth and stock valuations. It seemed the increase in stock valuations would never end, but of course, it did end. History teaches us they always do. In 2000, the so-called Internet bubble burst, and many investors lost money, not only monies invested in an Internet company, but also investments in leading, established blue chip companies. All of us remember when Alan Greenspan aptly characterized the phenomena of the stock market as ''irrational exuberance.'' All of us had sort of a special sense of spiraling optimism.

Unfortunately, something that even Alan Greenspan did not predict has happened. In the wake of the roaring 1990s, we have witnessed corporate failures, bankruptcies, earnings restatements at unprecedented levels. Established companies that may have been overvalued were expected to weather these difficult times as business slowed, but they did not. The culture of the 1990s created something far worse: the race to up the earnings at all costs. Hype, hype, hype.

Of course, the first to fall was Enron. Amid its ashes, we discovered a host of problems involving corporate governance, audit independence, accounting fraud, and accounting standards. It would have been easier to accept the collapse of Enron were it an aberration. That no longer, of course, appears to be the case, given the recent news of Tyco, Global Crossing, and WorldCom, just to name a few. There is one every week.

These failures have put a strain on market recovery. Investors do not trust financial statements and that undermines their trust of all companies, good or bad. To stabilize our markets, accounting and corporate governance systems must be improved. We on the Committee on Commerce are committed to do that. This committee will do its part by acting on that which falls within our jurisdiction, which is accounting standards.

Now, the President just recently offered additional steps to stem the tide of investor mistrust of the capital markets. The markets themselves have taken significant steps in that direction, as seen in the new rules that have been proposed by the New York Stock Exchange. Of course, on the legislative front, the House has already passed legislation out of the Committee on Financial Services to reform the corporate governance and the audit system. The Senate, as we speak, is moving towards legislation as well.

Mr. Speaker, all of these efforts have primarily been focused on corporate and auditor governance. I believe changes to accounting standards and the process of setting those standards is another critical component of complete reform. I think that in addition to procedural reforms addressing governance issues, we must also carefully study and address substantive reform, which means that the content of the GAAP principles of accounting must be reexamined in light of Enron-like accounting scandals.

So that is why our bill, H.R. 5058, which passed out of my subcommittee, the Financial Accounting Standards Board Act, is just an important first step for improving the transparency and reliability of financial accounting.

Now, I thought I would review just briefly what the bill does. The bill does simply four main things. First, it gives FASB standards Federal recognition for the first time.

Second, it directs FASB to promulgate rules in areas in which our investigations have revealed current standards need improvement: specifically, off-balance sheet accounting, revenue recognition, and mark-to-market accounting.

Third, it requires FASB to promulgate a primary standard that must be used to ensure the application of accounting rules complies with principles of transparency and comprehensibility. This will go a long way to preventing the abuse of accounting standards like those that have been revealed in the oversight committee investigations, as the gentleman from Pennsylvania (Mr. GREENWOOD) is involved in with Enron and Global Crossing.

Fourth and finally, the bill requires the GAO and FASB to report on FASB's compliance with the act and other issues relevant to the standard-setting process.

Again, Mr. Speaker, this was within our jurisdiction and this is the only thing that we could attack. I had an amendment in the bill which would also create a blue ribbon commission to study accounting standards and standard-setting processes. Specifically, the commission will evaluate FASB's 30-year record, evaluate the role of accounting standards, how they played in recent accounting failures, and explore alternative standard-setting mechanisms. This commission is not involved with governance. It is all involved with accounting standards and the standard-setting process. The commission, of course, will then present its findings and recommendations to our full committee.

I would like to just mention one of the witnesses that we had in our hearing dealing with financial accounting standards, a Professor Coffee, who is an expert; and he testified that ''Reasonable people can disagree about the appropriate reforms that are needed to improve the regulation of the accounting profession and, not surprisingly, quite different proposals are currently pending in the House and Senate. But while reasonable, and sometimes even heated, disagreement is possible on many questions, there should be consensus on one fundamental point: our current substantive system of accounting principles, rule-based and hypertechnical, has shown itself to be vulnerable to exploitation by those willing to game the system.''

So I think our passage of H.R. 5058 will move forward, and when it moves to the full committee in the House and hopefully, to the conference, we will be able to add, expand, and make it more comprehensive.

Mr. Speaker, I just wanted to conclude by bringing to the attention of my colleagues some comments from the former president of Arthur Andersen, who gave an editorial in the Wall Street Journal, Mr. Berardino. He was managing partner and CEO of Andersen and, of course, we know Andersen was found by the Justice Department to be guilty of shredding documents. But sometimes when you go to somebody who has seen the failure intimately they can sometimes bring to bear some very important points, so I would share with my colleagues some of his points.

He admits we need to rethink some of our accounting standards. Heaven knows, the Tax Code has gotten so complex. Likewise, our accounting standards have gotten complex and technical. Enron used sophisticated financing vehicles known as special purpose entities and other off-balance-sheet structures to hide debt, and they did it in such a way that no one could even understand them. In fact, the management's discussion and analysis in their profit and loss statement was 16 pages of footnotes. That was in its 2000 annual report.

Now, some of them, institutional investors as well as sophisticated investors, they all studied these 16 pages. Some sold short and made profits, but others who were also sophisticated analysts and fund managers said, well, I may be confused, but they went ahead and bought the shares anyway of Enron, and, of course, they lost money.

So if these people, institutional investors, fund managers, cannot understand these 16 pages of footnotes, how can the common investor understand them? We need to change that. We need to fix this problem. We cannot maintain trust in our capital markets with a financial reporting system that delivers volumes and volumes of complex information about what happened in the past, but leaves some investors with limited understanding of what is happening in the present and, more importantly, what is likely to occur in the future.

So the current financial reporting system has to be changed, and I would say to my colleagues, it was developed in the 1930s. It was developed for the Industrial Age. That was during times when assets were very tangible and everybody understood them. The investors who were involved at that time were very sophisticated, but they were few. There were no derivatives, the derivatives at Enron and all of these organizations used to hedge their bets; none of that was happening in the 1930s. There was no structured off-balance-sheet financing, no instant stock quotes or mutual funds, no First Call estimates and, of course, there was no Lou Dobbs on CNBC.

So we need to move quickly here in Congress to establish and rethink our accounting standards and to modernize them, because I think the public is right, they have lost credibility, and this can be changed.

The other area that I would like to discuss is the patchwork of regulatory environment we have here. We have an alphabet soup of institutions, from the American Institute of Certified Public Accountants to the Securities and Exchange Commission to the Auditing Standards Boards to the Emerging Issues Task Force to the Financial Accounting Standards Board, FASB, to the Public Oversight Board. All of these have important roles in our profession, in the accounting profession, of regulation, and they are made up of very smart, very diligent, competent people.

But the problem, I submit, is all of these alphabetized, this alphabet soup of institutions, there are too many of them, there are too many cross-purposes. Somehow we need to bring them all together so they are focused better. And so the process, the whole process of oversight of all of these different institutions I talked about, needs to be redesigned. I do not think we should eliminate them, but I think somehow we have to get them more flexible and more suitable for the modern world.

□ 1815

Lastly, I would say improving accountability across our capital system. Two years ago, scores of new-economy companies soared. They came out of nowhere. Of course, they had public offerings, initial public offerings, and they went up and they collapsed in dust. A lot of investors questioned their business model and prospects. The dot-com bubble cost investors trillions of dollars.

So I think if we come together in a bipartisan fashion and look how to increase the market's integrity, I think we can do it. I think some of the comments from the former managing partner and CEO of Andersen are some ideas we should think about, and I think some of the things we have started in my bill, H.R. 5058, that came out of my subcommittee, is another good start for reforming the accounting standards in this country. I look forward to continuing this process.

Mr. GREENWOOD. Mr. Speaker, I thank the gentleman from Florida for his contributions in this Special Order, as well as his very excellent contributions in the leadership of his subcommittee.

Mr. Speaker, to underscore the importance of this issue, I would like to make a few more remarks.

America's place in the world, our leadership place in the world, is derived in many respects from the character of our people. It is derived in large measure from the nature and the beauty of our Constitution; but it is also derived in no small manner from our wealth, from our economy, the strength of our economy.

Our wealth as a Nation is the wealth that produced the military apparatus that fought wars and preserved democracy, that overcame Communism, that just liberated Afghanistan. Our wealth as a Nation is the wealth that is used to pull people from poverty into middle-class luxuries. Our wealth as a Nation is the wealth that enables us to find cures for diseases.

Also, our wealth is derived from our marketplace. Our wealth is derived because our marketplace is extraordinary in its ability to allow Americans to use their savings, and we are not good at savings in this country. Compared to the rest of the world, we save very little. But our marketplace is so efficient that the relatively meager savings of America can be used in the marketplace so that investment goes to the most productive companies and to the brightest ideas. That has enabled us to create a level of productivity that is unrivaled in the world, even by those nations that save far more money than we do, because we have this efficient market.

Now, the efficiency of that market is completely dependent upon the notion that investors can, on a regular basis, look at the independently audited financial statements of companies and make a decision about where they want to make their investments.

They want to make their investments in companies that are doing well, that are showing progress, that are showing profit, that are showing promise. They get to make a decision. They get to decide if they want to take a lot of risk in the marketplace. If they think they have analyzed a company and it has a promising product, if it has not made it yet, but may emerge and may solve a problem in this country; or they may take a high risk; or they may decide to take a little bit of risk and invest more modestly. But they do that based on their ability to trust the audited financial statements that these companies put out pursuant to law.

Now, what has happened? What has created this problem? What has created this problem is that the companies that we have seen in the headlines of America's newspapers are companies who refused to abide by the simple premise that they have a responsibility to issue audited financial statements that can be believed.

They have decided to do what is called ''managing revenues,'' not just reporting their revenues, not just saying to their auditing committee, how much money did we make this year, what were our revenues, but saying to their auditors and accountants, how can we boost those revenues above what they really were? How can we phony up the numbers?

Why did they do this? They did this because, particularly in a market which was heavily invested and experiencing this bubble, they did it because they knew if their revenues began to fall, if they did not meet expectations, investors might take their money and go elsewhere. That is one reason they did it.

Another reason they did it in some of the worst cases is because corporate executives had stock options, and they knew if they could push the revenues up way beyond where they really were, if they could report revenues way beyond the actual revenues of the company, that the stock prices would follow, and then they could cash out, sell their stock at a very high price, and yet leave a company or leave the rest of the investors with a company that really was a phony company and a false company and a company that did not have the value that they had reported in their own financial statements.

This is not the first time that this kind of thing has happened in our history. We went through a savings and loan debacle which cost the American taxpayers and investors billions of dollars. We went through problems with junk bonds.

I was reading a book over the last week called ''Financial Shenanigans.'' There was a story, a true story, about a man whose business was vegetable oil. He was bringing in, or allegedly bringing in, boatloads of vegetable oil to this repository. He would impress his investors with all of the vegetable oil that he had accumulated; and they were investing in this product, in this market that he had.

What they did not know was that he had a vast system of underground piping that pumped water into the tanks. The vegetable oil was just a thin veneer that sat on the top of the water. So the researchers and analysts and underwriters would come, and he would take the tops off of his tanks and say, Look how much vegetable oil I have, millions of gallons of vegetable oil, when in fact it was all a phony scheme.

This is not unlike what we have seen in the marketplace here. The kind of reforms that we take here in a bipartisan fashion are going to have to have the effect on this corporate greed that ultimately happened when they let the water out of the tanks on this gentleman's vegetable oil barrels.

Mr. Speaker, I yield to the gentleman from Louisiana (Mr. TAUZIN), the chairman of the full committee.

Mr. TAUZIN. Mr. Speaker, I wanted to cite another example of how the gentleman's committee has worked on a problem in America that was awful, the Firestone tire failure problem just last year.

When the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce did the deep investigations of Firestone and followed through in the current cycle of Congress, through to a point where not only did Firestone itself begin to fix its own problems, but it is reestablishing its name, it is beginning to hire back its people, its products are beginning to find their way back into the marketplace with confidence again; and it has now realized that it cannot have a defective product out there.

It is doing much better today, I should report to the American public; but we in Congress, after those very extensive hearings, those awful hearings where we looked at so many people who had died on the highway because of the failure of tires on the traveling roads of our country, we in Congress acted swiftly. We amended for the first time in 30 years the highway safety laws of our country. NHTSA, our National Highway Safety Administration, was empowered to gather much more information about the safety of tires. It was empowered to do much deeper testing. It was empowered to require the companies to build better tires and to test them more efficiently and effectively.

It is now going through a rulemaking that is going to give all of us a chance to know, in the new automobiles we buy, just what our tire pressure looks like and whether or not we are losing tire pressure so our tires become more dangerous again. The work the Subcommittee on Oversight and Investigations of the Committee on Commerce produced is now producing stronger regulations, legislation which mandated stronger tires, safer automobiles; and therefore we are saving lives because of what we did with that extensive investigation and the subsequent legislation.

We are in the same position here, except the lives we are trying to save are the financial lives of the citizens of our country; the financial life of Wall Street, to try to restore its confidence again; the financial life of corporations that are suffering.

I bleed today for the workers at Enron. I bleed for the good accountants who worked for Arthur Andersen who have lost their jobs, who have seen their company come under such disastrous publicity and indictment and conviction for what occurred in the shredding. I bleed for the folks at WorldCom today, who are suffering through layoffs because their corporate executives participated in an apparent scheme to cook the books, and now their company is on the verge of bankruptcy.

We should bleed for those workers, but we also bleed for the American public who invested in those companies and who trusted them.

So what is the work product we have to come out with? We have to come out with a work product that literally strengthens our regulations, strengthens our laws, strengthens the enforcement agencies, but also does something the President called upon, and that is reinstills in corporate America, in those companies who may have lost their way, an understanding that character counts and that truthtelling is important. When they sign on the dotted line what the value of their company is, it should be a true value.

It says to accountants, when they go and audit the books, they ought to do a fair auditing. They ought not hide debt and inflate income, and they ought to give people the truth about how well their corporation is doing.

The good news is that most American corporations, the vast majority of American corporations, are not experiencing these problems. They have good boards and good managers, and the American public can have faith in them. But for those who have violated the trust of the American investors and the laws of our land, there are laws to punish them today, without us passing a single new law. There is justice coming, and there is reform in the wind.

Again, I think the Firestone story tells the truth about this situation. When we shed light on the problem honestly, faithfully, get all the facts on the table, put the witnesses in front of the American public, let them tell their stories, when we do that, Congress acts, the regulatory agencies act, and the American public responds.

Corporate America is waking up, I believe, to their responsibilities. I believe they are going to learn out of this horrible experience how important it is to keep, not just to build and to have, but to keep the trust of the folks who put their money into those corporations; who fund them, essentially, in their businesses through their investments and their pensions and 401(k)s, and the daily buying and selling of stock in our major markets.

Mr. Speaker, again I want to thank the gentleman for the great work that the Subcommittee on Oversight and Investigations has done. The Committee on Financial Services, led by the gentleman from Ohio (Mr. OXLEY), is doing a good job; and the combination of that and the work the gentleman from Ohio (Mr. BOEHNER) is doing in the Committee on Education and the Workforce on pension reform, I think that work together with what the Senate will do on the Sarbanes bill and what may happen yet on our FASB legislation and other bills that may make it through in terms of strengthening the criminal penalties against bad behavior.

All that work will complement, I hope, the good work that is going on in corporate America now to clean up their act, and the good work that is going on in the accounting field to make sure that aggressive accounting is a thing of the past and that honest accounting is the way of the future.

Mr. GREENWOOD. Mr. Speaker, I thank the gentleman from Louisiana (Mr. TAUZIN), the chairman, for joining us again on this Special Order.

Mr. Speaker, there has been a fear, a nervousness, that if we continued these investigations, if we brought these corporate moguls before our Subcommittee on Oversight and Investigations, that somehow that would rock the markets and it would shake the confidence of the investors and make things worse instead of better.

We thought long and hard about that in our subcommittee, but we decided to continue on with our investigations and to continue to pursue these matters because we cannot, we cannot get the reforms that are required to protect the investor in this country until we lance the boil. We have to pick the scab. We have to open the wound, look at it, allow it to be seen by the American people, to show the American people that the United States Congress understands that this cannot stand and it will not stand, and that we will move to make reforms.

There are those who want to do too little. I think, frankly, some of the most conservative Members of the Congress want to do too little. They are afraid that these reforms are too much of an invasion into the private sector. They are not.

The marketplace of this country that drives our economy, that provides our wealth and provides our greatness, does not spring up like Topsy. It is the result of the laws and the regulations that we impose on the marketplace to keep it honest, to maintain its integrity so that investors can make smart decisions, so money can move efficiently to smart ideas and efficient companies and products, and make us wealthy as a result.

There are those who would do too much. There are those who would create a new Department of Auditing and make sure that every auditor in every company was a Federal employee. That would be bureaucratic and costly and invasive and wrong.

So we do have to find the middle way. We do have to find that which separates the most liberal Members of Congress from the most conservative Members of Congress, and I think we are well on our way.

I think the legislation that we passed in this House in April, the bill of the gentleman from Ohio (Mr. OXLEY), was the middle way. I think what Mr. SARBANES did yesterday with 100 percent support in the Senate represents the middle way. I think the President's bold remarks of 2 days ago were right on and illustrated the things that the executive branch particularly needs to do to bring us these reforms.

The only thing we need to worry about now is what we began this Special Order with, and that is the fear of partisanship. If Members of Congress and if political consultants and if leaders in political parties decide that, rather than solve this problem, rather than do the things that we need to do in a bipartisan fashion to restore confidence in the marketplace, they want to exploit this issue, create fear among the American people, try to cast false blame on particular individuals in the Congress or in the White House or elsewhere, then we will fail.

□ 1830

Then we will fail to meet our obligation to the American people and solve this problem. When this Congress, the 107th Congress of this country's history, concludes its work at the end of this year, I think two things must occur. We must be able, as we wish each other well for the holidays, clap each other on the back and say I think, number one, we have done everything we could in a bipartisan fashion to win the war on terrorism and provide security for America's people, and, secondly, we must say, as we leave this body for our Christmas holidays, I think that we have done everything we possibly could in bipartisan fashion to restore the confidence in the marketplace that this country so relies upon, that we did that in bipartisan fashion and that we can feel good about beginning a new year with growth in the economy and with security for the American people, not only physical security but economic security as well.

UNINSURED AMERICANS

The SPEAKER pro tempore (Mr. REHBERG). Under the Speaker's announced policy of January 3, 2001, the gentlewoman from Wisconsin (Ms. BALDWIN) is recognized for 60 minutes as the designee of the minority leader.

Ms. BALDWIN. Mr. Speaker, I am pleased to have the next hour on the floor to discuss with my colleagues a grave situation in our country, the issue of the uninsured. I would like to set the stage on this topic before calling on a number of my colleagues who are equally committed and tenacious about fighting to bring this issue back to the forefront.

We are facing an extremely serious health crisis. I listen carefully to those that I represent in Congress. I hear from constituents every day who have lost their health insurance and have nowhere to turn. I hear from mothers and fathers who are afraid that their healthcare premiums will become so expensive that they simply cannot afford them any more. I hear from small business owners who are facing skyrocketing premium increases and may