

Pakistan that prohibited aid to a nation whose democratically elected government was deposed. I introduced legislation today that reinstates the democracy sanctions, because I think it is necessary to implement measures that encourage Pakistan to transition back to democracy.

I have written to President Bush and I have requested that he and his administration, particularly Secretary Colin Powell, who will be visiting the region over the next 2 weeks, to take these violent actions by Pakistan into consideration for any future talks with Musharraf, and that the United States use its influence to encourage a return to democracy in Pakistan.

#### CORPORATE FRAUD

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

Mr. MCINNIS. Mr. Speaker, to my colleague, the gentleman from New Jersey (Mr. PALLONE), I am not going to follow up with some comments about your previous comments. In fact, I found the gentleman's comments pretty interesting.

This evening I want to spend the time with my colleagues speaking about corporate fraud. I spoke about that at length the other day but, actually, the conversation I wanted to have with my colleagues was cut short by the time. So tonight I wanted to go through it in much more detail at a little slower pace so that we have a pretty clear understanding of what is happening out there in corporate America, with a few bad apples, but these bad apples are so bad they are ruining the bushel of apples. I come from apple country out in the Rocky Mountains of Colorado, and I can tell my colleagues if we do not track down the bad apple in a bushel of apples, no matter how good the rest of the apples in that bushel are, it will not be very long before the stain from the bad apple begins to go over on the good apples, and pretty soon the whole bushel of apples is ruined.

Now, I have heard many of my colleagues recently talk about the corporate fraud that is going on and, remember, it is not all corporations. It does not entail all of the corporations. Keep in mind that there are many, many smaller corporations in America.

□ 2145

When we speak of the word "corporation," it is very broad. As I said the other evening, my in-laws are cattle ranchers. They are not big cattle ranchers, but they have a cattle ranch up in the mountains. It has been in their family since the 1880s. They are incorporated for liability purposes.

I have a friend who owns an ice cream shop. He has two employees, actually his partner, he and his wife,

they are incorporated. So not all corporations fall into this.

There are a few corporations that I am going to address specifically by name this evening. There are a couple of corporate executives, thieves, that I am going to address this evening by name; and I hope my colleagues are attentive to this issue.

But back to the point that I was making, recently several Members have said that this is like a bank robbery. These guys are bank robbers. I stand to differ with them. These people, like the President of Tyco, or Bernie Ebbers, the President of WorldCom, or Scott Sullivan, the chief financial officer, they are not like bank robbers.

I will tell the Members the difference. It is right here on this poster. A bank robber, generally in a bank robbery the person who commits the bank robbery is generally a poor person taking from a rich person. That is not what we have here. What we have with these corporate problems in America today is not a poor person taking from a rich institution, but instead, just the opposite: we have a rich institution taking from the poor people. That is exactly what is happening out there.

So when we hear people say, this is kind of like a bank robber, it is just the opposite of a bank robbery. It is the institution taking from the small guy, instead of the poor guy maybe taking from the bank. That is the difference.

These people who are dealing with this are not any different than a bank robber, though, as far as how we might describe them otherwise, like two-bit crooks, two-bit hoods. That is exactly what we are talking about here.

Let me go over a few things. I think, first of all, the best thing to talk about, I mentioned earlier that, by far, most of the corporations in America are small companies. Most of the companies in America run a pretty good operation. America, by far, has the strongest economy in the world's history. America will continue to have a strong economy. We are going to get through this.

In a sense, this is somewhat of a cleansing process. We are cleansing ourselves of the bad apples in the bushel, so to speak. The cleansing process is always painful, but the only way the cleansing process works is that it has to be complete. The only way we save the bushel of apples is to get in there and find the bad apple.

We just cannot talk about the fact that we have a bad apple in a bushel of apples. We have to get in there and find out where that apple is and find out if the bruise and the rot in the bad apple has spread to others, and we have to get rid of all of those.

That is the duty of our enforcement agencies in this country. It is also the duty, the peer duty of other companies, other chief executives. We have to lift our standards in this country. This kind of behavior demands that other chief executives, the good chief execu-

tives, the good people who work hard out there, that deliver a good product on behalf of the company, that are honest with their books, that do not use their attorneys to try to deceive shareholders and employees, that these people demand a higher standard.

I know a number of chief executives. I can tell the Members, they pride themselves on the standards that they demand. Their standards exceed all of the standards that some accounting firm may want, or the standards that the law firm says are the minimal standards they must meet.

The most successful companies in America are not the companies that perform unethically, or perform right on the border. The successful ones over a long period of time or over the average period of time are the ones that are honest in their dealings with their employees. They are honest in their dealings with their shareholders. They are honest in their dealings with government agencies. They are honest in their dealings in the reports they give to the general public.

Those are the companies, those are the businesses in America, in fact, those are the businesses in the world that over the long run will be the most successful and the strongest.

Now, I think it is important that we have a good concept of what a corporation is. What makes up a corporation? How does it work? Who is an insider? What are some of the buzz words that are used when we talk about corporations?

Of course, the first buzz word we use is "corporation" itself. As I said earlier, a corporation really, or corporations in America, are comprised of many, many different sizes of corporations. We can go all the way from General Electric or a Wal-Mart Corporation clear down to the mom and pop ice cream shop in our local community that incorporates generally for tax or liability purposes.

So when we hear the word "corporation," do not just apply it to the big corporations and do not just apply it every time we use it in a negative connotation to the bad corporations, like Tyco or K-Mart Corporation. And really, the corporation as a whole was not so bad, but the people who worked within it were rotten apples.

We have to be able to segregate the bad from the good because the good deliver us good products. We can take a look at the car we drive, we can take a look at the toothpaste that we brush our teeth with in the morning, the mouthwash, or the cold medicine that we take, or the pen that we write with, the lights, the power that is delivered here, or even the clothes we have on. There are a lot of good products in our country.

There are a lot of honest, hard-working people in our country. They are being smeared by the likes of Scott Sullivan in Florida, who right now is building his \$19 million mansion, or the likes of Gary Winnick with Global

Crossing in California, who is building a \$90 million mansion. We can go on and on. Bernie Ebbers.

I will go through a lot of these names with the Members because we ought to know the names of the people. We ought to be able to identify what apple in the bushel is bad. Remember the saying: once a crook, always a crook. A crook is a crook is a crook. That is the way it is. We have to call it as we see it. Call a spade a spade; call a crook a crook.

I will tell the Members, if we allow a crook to stay in our midst, if we allow a crook to stay and influence what we do, over time we begin to pick up some of those bad habits. After a while, that old saying, you cannot teach an old dog new tricks, it kind of applies to a crook, too.

Look at the president of Tyco, the guy who bought millions of dollars in art. He is worth hundreds of millions of dollars, but he cheated on a very small part of the art. He decided not to declare it on the sales tax so he could avoid it, save \$100,000 here and \$100,000 there.

To someone worth hundreds of millions of dollars, that is pennies; that is nothing. But to illustrate, that this individual would go to the trouble to cheat the State out of a small amount of State sales tax lets us know that that old saying, you cannot teach an old dog new tricks and once a crook, always a crook, those sayings out there have applicability to some of these individuals.

Let us go back and study what the structure of a corporation looks like. A corporation always starts here on the top. It always starts with the shareholders. The shareholders are the fundamental part of a corporation.

A corporation really is not recognized as a human being, obviously; it is a legal body that is created by law that allows a group of people, in some States as few as one or two people, in other States it requires more, but it can allow a corporation to be built with just a couple of people who own the shares of the corporation.

If it is tightly held, what "tightly held" means is a very few people or a family holds that corporation, the stock, the shares in that corporation, and shares and stock being synonymous, and "closely held" means maybe it is a little broader than tightly held, maybe you only have 20 shareholders.

We have lots of those. For example, my wife and her parents have a family ranch. It is very closely held, tightly held by the family, closely held; and it does not have but maybe, I do not know, 10 or 15 shareholders in that corporation.

A lot of corporations, for example, an IBM or a General Electric or a Wal-Mart Corporation, they literally have millions of shareholders, millions of people who want to pool their money together. They entrust their money. They entrust their investment in this corporate entity, in this vehicle, to go

out and see if they can make a product upon which there will be demand, which the consumer will want.

In turn, those shareholders hope over time, as a result of their investment in this corporate vehicle, that they are going to get paid dividends, that they are going to be able to make money off their investment. But in making that investment, there are certain levels of integrity or trust.

Now, we are not fools. We know that we deal with a lot of different people that form these corporations. We know that in any given body of people, whether it is Congress or whether it is the Catholic priesthood or whether it is schoolteachers, once in a while we are going to get a corrupt person in that group.

So we do not just leave it to the honesty or integrity of people who form corporations, especially if those corporations are broader than a closely held corporation, if they are publicly traded, broadly traded, as they say. If they are broadly traded, we do not just totally trust them, the government. We do not completely trust them. We mostly trust them, but we do not completely trust them.

What we do is require audits. We require public disclosure statements, financial disclosure statements, so that the public has an opportunity to screen very carefully what the audit says or what the financial statements say. It is kind of a check and balance on the chief executives.

But in order for that check and balance to work to give protection not only to the shareholders but to the employees and to the people who are affiliated with that corporation, in order for that to work, we have to have honest accountants.

Here comes Arthur Andersen. There is a problem with Arthur Andersen. We have to have honest attorneys. Here comes a problem with K-Mart and Tyco Corporation; here comes a problem with Adelphia Cable Systems, where the family themselves stole from the public shareholders almost \$3.5 billion, not million, billion dollars.

So in order for the whole system, in order for this whole system to work, which I am going to go through, we have to have some honesty. We have to have honesty and integrity from the attorneys.

If we happen to have an attorney, like in Tyco Corporation, who pays himself a \$20 million or \$30 million bonus and breaks it up so he does not have to put it in the public disclosure statement that I referred to, so the shareholders, the check and balance, can determine whether or not the attorney deserved his self-enrichment of 20 or \$30 million, if we do not have an attorney who is honest, we ought to have him disbarred. That is the check and balance that tries to keep the legal counsel in check.

It did not work with Tyco Corporation. In fact, in Tyco Corporation, the attorney kind of was in bed with the

president of the company. The president of the company self-enriched himself with hundreds of millions of dollars, and the same thing with the attorney. We are going to see the same thing in something called ImClone, ImClone, the Martha Stewart case. We are going to get into that in a little detail. That is where I am going to describe inside deals.

But let me go back to the corporate structure. So we have the shareholders. A shareholder could own one share. For example, I may own one share of BankOne, a very reputable company out there. I do not know what their shares, let us say it is \$24. So you could own one share, or be a mutual fund that owns hundreds of thousands of shares.

Now, 10 or 15 years ago, 20 years ago, very few people, as a percentage of the whole of society, owned stock. The average person on the street did not invest in stock. But that has changed significantly over the last few years. One, we now have many more people that have retirement funds, called mutual funds, or 401(k)s with their company, or they form some other type of retirement vehicle. That money is pooled, and believe it or not, a lot of people out there who do not think they own stock, in fact, they indirectly do own stock because their retirement fund, their 401(k) or their mutual funds, actually are stockholders. They hold stock on your behalf. So today we have many, many more people invested in 401(k)s, et cetera. Therefore, we have many, many more people who now own stock.

We have also seen a surge of interest in the stock market, especially during the boom years. We now have a lot of people we would never imagine buying stock who would figure out the best stock to buy down at the local barber shop. We had a boom. That boom, that big bubble, has burst.

What I am trying to get at here is that we have lots of people who are now reliant on a credible corporate structure. We have more people in this country today dependent upon the integrity and the honesty and the strength of the corporate structure in America than we have ever had in the history of this country.

That is why it is important that, one, we recognize not every corporation is corrupt. We have a lot of good companies that produce good products out there: the toothpaste, the car, the electric blanket, you name it. But that is why it is so important that we find the corporations like Tyco, ImClone, or K-Mart, or some of these others, Enron Corporation, WorldCom, Waste Management, Adelphia, Conoco. That is why we have to clean house on these.

When I say clean house, I mean clean house. We cannot just sit back here and treat these people like they have not done something wrong. Keep in mind, in America, if you steal a car off a shopping center parking lot, and even though that car is only worth \$50, and

somebody turns you in to the police, when the police stop you, they do not stop you with one police car and one police officer.

□ 2200

They stop you with a number of police officers. A number of police officers surround you. They pull you out of the vehicle at gun point for stealing this \$50 car. They put you on the pavement. And while you are laying down on the pavements they handcuff you. They then put you in a police car, in a cage in the police car and they haul you to the police department.

Bernie Ebbers of WorldCom or Gary Winnick of Global Crossing, Gary Winnick is currently residing in his \$90 million home in Bel Air, California. He has never felt handcuffs. Bernie Ebbers of WorldCom went to the board of directors and borrowed \$408 million and neither he nor those board of directors have ever had the feel of handcuffs around their hands.

Our society has got to give them that feeling because if they do not get that feeling of handcuffs, we are not going to get the feeling of credibility. We are not going to get the feeling that our system is working, that the checks and balances are in place. So it is just as important to society that appropriate and tough punishment be meted out as it is to our own feeling of, well, they deserved this punishment as it is to fairness.

You go into a Kmart and you steal a candy bar, you will suffer a lot more penalty under the criminal law than the chief executives of Kmart who loan themselves millions of dollars, and then the week before the company was taken into bankruptcy, got the loans forgiven by corporate documents. In other words, you do not have to pay it back. You sign it. Self-serving. And then they took the company into bankruptcy. Remember, we are not just talking about shareholders. There is another group up here that hurts a lot, that has suffered a lot as a result of the Enron and the WorldComs and the Tyco's and the people of Global Crossing and the companies like that. That is the ones clear at the bottom of the list, but probably the most important box on the list, and that is the employees. And not just the active employees. Do not forget we have retired employees. So there really should be another box right here. The retired employees. Some who have given their entire careers to these corporations, and now they find themselves out on the street. WorldCom, who bought company after company and assumed those employees, now those employees are out on the street.

This company will declare bankruptcy this week or early next week. These retired employees will find their pensions wiped out. The same with Global Crossing. How do you think the employees of Global Crossing feel today? They have been wiped out and Gary Winnick is living in a \$90 million

mansion, currently being remodeled because he thinks it needs upkeep, in Bel Air, California. Or Scott Sullivan, the 40-year-old guy who shows up in Congress chuckling while we are interviewing him while his \$20 million home on the ocean or lakeside is currently under construction in Florida. You think he gives a hoot about these retired employees? You think he gives a hoot about the current employees?

These people have broken the trust of America and these people should pay the price. They should not be allowed to live the rest of their life in the luxury of a king and in the mockery of a justice system.

Let me go back to how this corporation is made up. We have talked about our shareholders. The corporation would not exist without the shareholders. Now the shareholders entrust their money and they give their money, they put their money into the corporation. And then you have gotten the corporation, a group of individuals who represent the best interests of the corporate entity as a whole, who look out for the shareholders, who have responsibility for guidance of the corporation, not day-to-day guidance of the corporation, but overall policy, overall direction of the corporation. And these people have what is described as a fiduciary duty.

What does fiduciary duty mean? It means a special duty, a special obligation to the people that you are representing. More than just, okay, I will do it for you. It is a special level of trust. It is a higher standard, and that is what these boards of directors do. I can tell you any time you find one of those overpaid executives, any of these corporations you would find in trouble whether it is Enron, TYCO, ImClone, whether it is Waste Management, whether it is Xerox Corporation, Sunbeam Corporation, any of these in trouble, you will find trouble in the board of directors. You will find a breach of fiduciary duty with those boards of directors. Either they fell asleep on the job or they were lulled asleep by the management that bestowed them with gifts.

For example, in WorldCom, Bernie Ebbers made sure that one of his board of directors was given a corporate jet which probably costs the corporation \$200,000 a month, but he decided to lease it at an arm's length transaction, a fair transaction. So he let the director lease it for a dollar a year, and all the expenses were paid.

Do you think that director has got a fiduciary duty? Do you think he is representing the shareholders or the best interest of that corporation, or do you think he is representing the best interest of Bernie Ebbers of the WorldCom Corporation? It is clear he has breached his trust. That is why this part right here, these boards of directors, that is very, very important. Every box in here is important for the corporation to work correctly.

Every box in here has an integral part, a basic and fundamental part of

the company. This vehicle cannot move forward effectively if any of the people in these boxes have corrupted the box. For example, if you have corrupt shareholders, this corporation will not work. It will not be a good corporation. If you have a corrupt board of directors, we have seen what has happened with Enron or these others. If you have corrupt legal counsel, corrupt auditors like Arthur Andersen, corrupt president like the president of Tyco or the president of ImClone, the inside deals, or if you have a management team that is corrupt, it will not work, or employees that steal from the company, if you have employees that are corrupt. Every box in here has to work; and if it works, it is a very powerful economic machine. If it does not work, it is a complete failure or close to it. It can cause an implosion, and that is what you are seeing with some of these companies. You are seeing an implosion with WorldCom. You have seen an implosion with Xerox. You have seen an implosion with some of these and it is because of defective management in a large degree.

So we talk about the board of directors. The board of directors does not go to work every day. They are generally retired executives, men and women, prominent in their communities, but they are supposed to be qualified on that board. They were not supposed to be on there for celebrity status. They are not supposed to be on there to be yes people. They are supposed to be on there for the best interest of the shareholder and of the corporation. And for some reason, that has been diluted.

In my opinion, the long-term solution for this, one of the key parts of that is that we have got to professionalize our boards of directors across this country. We have to increase the standards and the behavior that we expect from them, which also means we have to increase the punishment if the board goes bad, if they become corrupt.

So now we go and we have got our legal counsel. I have referred to our legal counsel a little. You should not have an attorney who gives you the advice that you want to hear. A good attorney will give you the advice regardless of what you want to hear. And what happens here, unfortunately, and Tyco is the excellent example, the attorney goes to work for Tyco. He got his job as a personal favor from the president of the company. The president of the company is a guy that cheats on his sales tax even though he makes tens of millions of dollars every year. And the lawyer here decides to cozy up in bed as well, so what he does is start to pay himself bonuses.

Now, remember that the board of directors issues reports that go out to the shareholders. They issue reports that go out to the public, and they issue reports that are read all the way down this system. In Tyco what happened is the legal counsel made sure that the bonus he got of \$20 or \$30 million was broken up and titled in such a

way that it would never have to show up in any of these reports. So the employees did not know what the attorney was paying himself. The board of directors, theoretically, did not know what he was paying himself. Certainly the shareholders did not know what he was paying himself. It was what is called a sweetheart deal.

Now, you also have the auditors over here. And you saw the same thing with Enron. That is the excellent example of Enron Corporation. With Enron what you did is you had Arthur Andersen in the morning, and keep in mind it is not just Arthur Andersen, but you had Arthur Andersen in the morning being your auditor, telling you whether or not your books were clean and whether or not they had been cooked, and in the afternoon offering to you a much more lucrative contract for themselves doing consulting.

We have got to break apart auditing firms that offer auditing at this time and consulting at this time. They are two separate functions, and they should be handled by two totally independent, unaffiliated units for it to work effectively. What happened with Arthur Andersen, they got too cozy with the management at Enron. These accountants, these CPAs out there making 100,000 or 90,000, they could not resist the temptation to make several hundred thousand like the executives at Enron. So when the executives at Enron or the board members that were corrupt at Enron came over to the accountants and said, here is what we want this report to the public to look like, the auditors for their own self-enrichment say, we can make it work. We can hide those numbers. And that is exactly what they did at WorldCom.

At WorldCom they took their expenses that should have been put in the expense column and they capitalized them so it looked like they were making more profits. And this was done with the assistance of their auditing team. And, in turn, they had stock options that went up in value because the stock price was high because the public, the shareholders and the public that wanted those shares thought the company was making money when, in fact, it never made money. It never made any kind of money. They threw out these corrupt corporate executives or these board members threw out a line. They got the auditors to bite on the bait. They pull in the auditors, then they throw in another line. They pull in the legal counsel and then, of course, pretty soon they say we have enough. Now, let us see what kind of suckers are out there.

The first suckers they go after are the shareholders. They suck in the shareholders, and then the people that suffer the worst at the bottom are the employees. People that have worked for these companies for years, for decades. What is left of their future is decimated. Their life savings is gone. It is pretty hard to stomach this. It is pretty hard to look at how much these

employees of WorldCom or Enron or Kmart or Tyco or ImClone, it is hard to stomach what has happened to these people's savings, to their pensions, when people like Scott Sullivan are living in a \$20 million brand new mansion in Florida or Gary Winnick of Global Crossing is living in a \$90 million mansion in Bel Air, California, all at the expense of these employees and of these shareholders. Self-enrichment. Inside deal. Inside knowledge.

Now, what do I mean by inside knowledge? You know, to run a corporation, your executive officers have certain information that is obviously confidential. They have information that would impact the corporation. They cannot, for example, if they are negotiating to buy some property across the street, they do not want to release publicly about what price they are willing to pay for that. They keep that inside the company's information. And it is for obvious reasons. They keep it. And that is perfectly legal. That is called inside information. But what is not legal is when these executive officers, this management team or these boards of directors use that confidential inside information for their own self-enrichment. And I will give you the perfect example of it. I have it laid out right here for you. It is a company.

Many of you have never heard of ImClone Systems, Incorporated, but you have heard a case affiliated with it called Martha Stewart. She is tied into this little deal. Let us take a look at what ought to be a textbook example for every college business book that is published for study, a textbook example of corruption at the core, of the misuse, and the breach of fiduciary duty by your corporate officers. Here is what happens. ImClone has a president, and the president of the corporation finds out December 4, remember the dates. They are important. On my poster, this is the key date right here. Lots of these corporate officers, including the president, the vice president, the legal attorney, the vice president for marketing, they hold a lot of stocks. They hold a lot of options on shares of stocks.

Now they are about to get information that the public will not have access to for several days. Now under the rules of law, they are not to share this information with anybody because it gives one person an unfair advantage. Our stock market works out there, our investment market works because theoretically both parties have an equal advantage at least going into it. And they then negotiate and they bargain. But you cannot have a system that works correctly when one party has inside information and using it inappropriately, the other side can never get a fair deal. There is no square deal on something like that. And ImClone was not about to give anybody a square deal, except the inside people. Here is what happened.

□ 2215

December 4, FDA officials meet privately with the ImClone vice president and informally and probably improperly, but informally signaled that the company's cancer drug could have licensing problems. So on December 4, an FDA official, and again, I am not sure this was proper what this official told, but he hinted or dropped the hint, hey, your drug, which this company has built itself upon, is in serious trouble. It may not get its license. You guys may be in real trouble.

What happens? Look what happens. You think that they go public with this information? No. You think they are going to go out to the average John or Jane on the street that owns stock, that trusts this management, you think they go to the board of directors? They may, by the way, have gone to the board, but do you think they go to the employees who work so hard to make this a success and say we have got some information, you need to be aware this stock may collapse? No, they do not do that. These people are corrupt. They are going to use that to self-enrich themselves.

Here is the sequence of things that happen. December 6, two days later, their attorney, and remember, I told you how important it is that you have legal counsel that has integrity, that has capability and knows the rules of law when it comes to corporate governance. So what happens on December 6? This attorney, their general attorney, general counsel the title they use, unloads \$2.5 million worth of ImClone stock. Cannot wait to sell. Two days after that information gets to him, he drops the stock. What a wonderful timing. What a coincidence, what a hunch. Must be a very brilliant guy in the stock market.

December 11, ImClone vice president Ronald Martell sells another two-point-some-million dollars' worth of ImClone stock.

On December 26, now we are jumping to December 26, a very key date right here, here is the CEO, this guy, in my opinion, is as big a two-bit crook as you have ever seen in the history of this country. This guy was called the general attorney, now the general counsel. He has already sold his stock because he knows the news is coming. He spends 17 minutes on the phone with the CEO, Sam Waksal, the president. Here is what he does. He spends 17 minutes on the phone with the president. The president then drafts a note, and on the note he marks "urgent, immediate attention required," and he sends it to his broker, to the broker that holds the president's, this guy, he sends it over to his personal broker, this note, urgent, immediate attention required.

Then what he does is he knows that in the next couple of days, on December 27 or December 28, I guess it is December 28, there is going to be an announcement that ImClone's drug is not going to get licensed by the FDA, and

he knows that their stock price will implode. It will collapse. So he immediately calls his broker, and he knows that if he sells the stock in his name, it is going to be pretty obvious he had inside information.

So he transfers 4.5 million shares or \$4.5 million, I cannot remember which, into his daughter's name and says to his daughter, sell the stock quick. What happens to the daughter? She turns around and sells her stock. She has got over \$2 million or \$3 million worth of stock. She attempts to sell her father's stock in her name, but Merrill Lynch says no, something is fishy here, we are not going to let you sell that 4 million shares, but we will let you sell your shares because maybe you are like the attorney and the marketing guy and like some of the other executive officers, you just know how to read the stock market, just timing, just a coincidence that you had such a hunch that this stock was going to implode.

Do not forget now they have got buddies out there. They do have a couple of close friends. One of their close friends is this broker at Merrill Lynch. What does this broker at Merrill Lynch do? He calls somebody named Martha Stewart. What does Martha Stewart do? He leaves a message to Martha Stewart. This is before the general public knows of the inside information that is going on. The Merrill Lynch broker calls Martha Stewart, and the message he leaves her is ImClone is going to start trading downward, ImClone is in trouble, in other words, but the exact quote is, "ImClone is going to start trading downward."

What happens? Martha Stewart immediately sells almost \$300,000, I think it is within a few minutes sells \$300,000 approximately worth of her stock.

What happens? Next day, the announcement comes out. ImClone stock almost becomes worthless. Who loses on the deal? Well, the shareholders of ImClone lose in a big way unless you happen to be on the inside. The employees of ImClone lose in a big way. The retired employees of ImClone get their pension plans, their retirements, all get wiped out.

Who comes out of it smelling like a rose? The two bit-crook comes out of it smelling like a rose. Some of the board members come out of it. The president of the company, the president's daughter and people like Martha Stewart, who by coincidence just happened to know the right day to sell.

These are the kind of deals that are putting a black eye on business in America. These are the kind of deals that are shading the honest people. These are the kind of bad apples in the bushel we have got to dig down and we have got to find it, and I will tell you it is not just with this ImClone Corporation.

Let me just give you a quick demonstration. Enron Corporation, I do not need to talk much about that. We know about the corruption that went

on at Enron Corporation, and take a look at the problems they had on their board of directors at Enron Corporation. Not one of those executives has yet had the feeling of handcuffs on their wrists. Keep that in mind next time you go to the grocery store or the shopping center. You might see somebody that stole a 95 cent candy bar and they have got handcuffs on their wrists, but nobody at Enron did.

Take a look at Arthur Andersen, completely breached their duties, not the whole corporation. There were a lot of good people that worked in that, but the whole corporation was dependent on their executive officers who were supposed to have integrity and honesty, but they got reeled in. They cast out there and the executives reeled them in, said, come on, we will cut you in on the deal. Arthur Andersen.

Xerox Corporation overstates their sales, tried to deceive the shareholder.

Kmart Corporation goes out and loans its chief executive officers and several of the executive officers millions of dollars a couple of weeks before they know they are going to declare bankruptcy; and the week before they declare bankruptcy, the chief executive officers sit down and write a statement to themselves, dear self, the money that we had you loan from Kmart is now forgiven, signed self. That is what happened here.

I know people that worked at Kmart. You know stores of Kmart that have closed. They are trying to make it. They are still trying to make it go. There are a lot of people. These are blue collar workers, a lot of them. These are not wealthy people. It is like I said at the beginning of my remarks, this is not a bank robbery going on here because keep in mind, the bank robbery, it is generally a poor person trying to rob from a rich institution. These are wealthy institutions trying to rob from poor people; and at Kmart they were successful, lots of retired employees there that made maybe five, six bucks an hour who had just a few hundred dollars a month. They do not have a \$90 million dollar mansion like Gary Winnick with Global Crossing.

They get wiped out, these people, and they are not 20-year-old kids that have a lot of life ahead of them. They are 50-, 60-, 70-year-old people that are dependent upon their pension after 30 years with Kmart.

Take a look at WorldCom, Tyco Corporation. Take a look at ImClone. That is the one that we took, and I have got more charts. I could tell you about more and more of them.

I have got back here Adelphia Corporation. There the executive officers bought their own sports team, built their own private golf course for \$20 million, managed to siphon \$3.5 billion, not million, billion off the corporate books. Where were the auditors? Where was the attorney? Where was the corporate board of directors? They stole that money. They are probably playing golf today, and we have more examples like that.

Waste Management, Sunbeam which was caught several years ago, Global Crossing.

There is a little game called Monopoly out there, and I am not trying to be cute here. I am serious as I can be. In that game you could pull a card, and if you get in trouble, you could pull a card. You know what that card says, "Go to jail, and as you pass go, do not collect your \$200."

What I worry about here is that people like Gary Winnick, people like the head of Tyco, people like Scott Sullivan, and by the way, if you have not seen it, this is Scott Sullivan's \$20 million palace currently under construction on Lakeside in Florida. These people should not only ought to go to jail. They should not collect the money on the way to jail.

These proceeds were taken from the employees of that corporation. These proceeds were taken from the shareholders who trusted the management team of that corporation. There is a solution, and our solution is kind of multistage.

The first step in the solution for getting this is to keep in mind that the whole system has not imploded. I would say that a very small fraction of the system is in trouble, but your body may be cancer-free and you may have just a little tiny bit of cancer on your big toe. If you do not catch that cancer for a while, most everything is going fine; but if you ignore that cancer on your toe, pretty soon it may go up your leg and then pretty soon it will kill you.

Now we have discovered it on our toe. Now is the time to act. Keep in mind that we do not need to pull out a gun and shoot ourselves because most of our body is in fine shape and we are going to be able to remove that cancer. If we remove it and if we act aggressively and if we dig deep enough, we can get that cancer off and we will be fine. So it is no use destroying your body. Keep in mind, most of your body is working well, but you have got to act aggressively against the problem you have got on that foot. It is the same thing here.

The second step, we have got to aggressively pursue these crooks. A crook is a crook is a crook; and a crook that steals from the poor, a crook that steals from the working population in this country, a crook that steals from anybody ought to be punished. The days of our society, of these people being allowed to live in these kinds of mansions after we know they took the money or the ImClone people and I do not care how popular they are. It may be Martha Stewart.

I admire Martha Stewart. She built her empire from nothing. She is a hard-working lady but she made a big mistake, in my opinion. She dealt on inside information, information that the little guy was not entitled to, but the law says the little guy is entitled to.

These people have broken the law, and these people should be punished. If

we do not punish these people, if we do not go aggressively after these people, then we begin to lose the integrity and the credibility that we are going to be able to get that cancer off our foot, and then we do have the risk of our entire system imploding.

That is a long way off because I am confident, especially under the President's statements of the last couple of weeks, under action taken on this floor, under action taken on the other body's floor and the compromise that we will eventually come up with, we are going to go after them; but we need our local prosecutors to go after them. We need the Internal Revenue Service to go after them. We need the Securities and Exchange Commission to go after them. There is no reason any agency that has any kind of jurisdiction over these individuals should not pursue these people as aggressively as they would pursue a two-bit thief that walks out of one of these companies with a pen or a candy bar or calculator that they have stolen.

I have been pretty emotional with this speech because I feel deeply about it. I feel a lot of people have gotten cheated; and I know I have said it time and time again, but it is not a bank robbery. It is not poor people trying to steal from the rich. These are a very few people who are very wealthy who acted in a very self-serving, very selfish method for one purpose and that was to enrich themselves at the expense of somebody else; and in these particular cases, the people that have done this were already wealthy. It was not like they needed to get wealthy. It was not like they needed to take bread home to their kids. These people were already wealthy. They just did not have enough so they decided to cheat the system, and the people they cheated are the people that do not have enough.

□ 2230

They are the people that have had their pensions wiped out; that have had their dreams wiped out; that have had their jobs eliminated. Those are the people that are suffering, and the people who have invested in these shares and the American dream. Those are the people that are suffering, and we ought to right the wrong. It is dependent on us, colleagues, to right that wrong, and we are going to have this opportunity.

So once again I call for prosecutors across the country, for the IRS, for the SEC, for Congress, the President has already shown his aggressiveness on this, we need to come together and we need to bring down the hammer and we need to bring it down hard so that people know that the American business system is a credible system that works on integrity. If we can do that, we will restore the economic strength of our business machine. We have to have that for this country to continue its greatness.

#### CORPORATE RESPONSIBILITY

The SPEAKER pro tempore (Mr. JEFF MILLER of Florida). Under a previous order of the House, the gentleman from Washington (Mr. INSLEE) is recognized for 5 minutes.

Mr. INSLEE. Mr. Speaker, I have come to the floor of the House tonight to advise the American people about the status of our efforts to deal with the crisis of confidence in our corporate structure, which indeed is deep.

Mr. Speaker, I have to say that one thing I realize all Americans share tonight, looking at these repeated scandals, fiscal collapses and debacles in the accounting structure of our corporations, all Americans, I think, share one belief, be they Democrats or Republicans, suburban, rural, north or south, and that is that we need strong medicine rather than weak tea in dealing with this problem. We need more aggressivity and not so much passivity in dealing with this problem. We need action rather than inaction.

Mr. Speaker, I must report to Americans that, unfortunately, we have not had enough action in dealing with these problems. Let me give an example of what I mean by that. A few days ago in the other body a bill was passed to deal with these problems by a vote of 97 to zero. Ninety-seven Democrats and Republicans joined together to pass a meaningful bill to provide for the security of Americans, for their retirement and investment in corporations.

We should be here voting on that bill tonight. Tonight, we should be sitting here, Republicans and Democrats, passing that legislation which had overwhelming bipartisan support in the other Chamber, but we are not. And why are we not doing that work for the American people tonight? Well, the reason is this, and it is sad to say, but the leadership in this House in the majority party has made a conscious decision to drag their feet; has made a conscious decision to be passive rather than active; has made a conscious decision to answer the needs of some special interests rather than the American investors who are losing their shirts in the last few days in the stock market and in their retirement funds, which are rapidly disappearing.

The sad fact is that we have some very commonsense things that we need to do to make sure that there is a fiscal security apparatus in our corporations so that people cannot pull the wool over the eyes of investors, defraud investors, and falsify their books. Unfortunately, the majority party refuses to adopt those measures.

Today, on this floor, we had a motion that my party proposed that would require some very commonsense measures so that investors would have greater confidence; measures to give whistleblowers protection, these whistleblowers who have blown the whistle on corporate misdeeds, to make sure they have protection. That was rejected by the majority party.

We had a proposal to require records to be kept for a decent interval so we could figure out what had happened and find the trail of fraud in these cases. That was rejected by the other party.

We had a provision that would give investors who had been damaged greater leeway, a greater period of time to seek redress if they had been hurt by corporate fraud. That was rejected by the majority party.

These are things we could have done today. For the last 2 months, it has been a common litany here that we have proposed ideas and we have had to drag the majority party kicking and screaming to get consideration of these issues. It is really sad, because I have a lot of friends on the other side of the aisle who, unfortunately, are not being given a chance to vote on these commonsense measures.

Now, let me mention what the majority party has been doing in the last week. During the last week, when the economy has been in a crisis of consumer confidence and investor confidence in the last week, on July 12, just a few days ago, the leadership of the Committee on Energy and Commerce in the majority party, in response to this, what did they do? Well, they wrote a letter to the Public Broadcasting Service, PBS. In the midst of this economic crisis, the leaders of this Chamber's Committee on Energy and Commerce wrote a letter to PBS. And you know what they wrote about? They were complaining that Sesame Street program was going to introduce a puppet character that was HIV-positive.

They were so concerned about this that they wrote a letter to PBS to stop this heinous introduction of this puppet character. Well, Americans want to know the answer to this question tonight: If the Republican Party in this House is willing to take on Sesame Street, why are they not willing to take on Wall Street? If the Republican Party is willing to take on the Cookie Monster, why are they not willing to take on these moral monsters who are defrauding American investors and taking away people's entire retirement income in some cases?

This is a time for a bipartisan response to an economic crisis that does not just give Americans weak tea. Yes, the majority party is going to have to stand up against some of the special interests who have been so prevalent in this Chamber in the last decade. Yes, they are going to have to do it. But we need them to do it. We need them to join us to do it.

Now, we have heard this response that they have made, and they have joined with Democrats to do one of the things that needs to be done. They have increased with us the jail time that corporate defrauders will be exposed to. And that is a good thing. It is necessary. It is probably not adequate, because I would support mandatory jail time. Because, unfortunately, a lot of