(Mr. TIAHRT addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. GEORGE MILLER of California addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. CAMP addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. EDWARDS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. CANTOR addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Oregon (Ms. HOOLEY) is recognized for 5 minutes.

(Ms. HOOLEY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. CRENSHAW addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Hawaii (Mrs. MINK) is recognized for 5 minutes.

(Mrs. MINK of Hawaii addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. KINGSTON addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

DYING FROM DEBT

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

Mr. TAYLOR of Mississippi. Mr. Speaker, in newspapers all across this great Nation today, the headline ran that yet another company had declared bankruptcy. This time it was WorldCom, and this time it was the largest bankruptcy in American history. Just a month ago it was Enron. A little time before that, it was Global Crossing. But in every instance, there was a common pattern, and that is little folks lost everything they owned because the big shots at the top lied to them about how broke their companies were.

I say this because I think the same thing is happening with our Nation in that the little folks, the average Joes like the great young marine whom the gentleman from Massachusetts (Mr. MEEHAN) just told us about who lost his life in training at Camp Lejuene. The folks who serve us in the Coast Guard, the Navy, the Army, the folks who serve us every day, I think they are being cheated because the big shots are lying to them about just how broke this country is and just how broke their policies are making us.

The gentleman from Illinois (Mr. HASTERT) became the Speaker of the House on January 6 of 1999. On that day, our Nation's debt was $5,615,428,551,461.33. He has been Speaker now for about 1,300 days, and in that 1,300 days, we have voted to take care of rhinoceroses, we have named no telling how many post offices after great Americans, we honored the great Lindy Boggs today. But the Speaker somehow could not find time for this body to vote on what I think is the most important rule of all, and that is that one generation does not burden another generation with its bills. That is precisely what has been going on in this country, particularly since 1988.

Mr. Speaker, prior to that time, we went all the way from when George Washington was President to 1988 and the Nation borrowed about $1 trillion. That got us through American revolution, the War of 1812, the Spanish American War, the Civil War, the war with Mexico, World War I, World War II, Korea and Vietnam, and it borrowed about $1 trillion. The debt payment on that was fairly low, the amount of interest payment on that.

Something changed during 1988. Somehow the mentality that says we are going to lower taxes, we are going to spend more money and we are going to stick our kids with the bill, and as long as they do not know about it; it is sort of like those little folks who own stock, only this time the little folks own stock in America and the big shots are bankrupting their country.

Mr. Speaker, in the 1,300 days that you would not give us a vote on a Balanced Budget Amendment, our debt has increased by $511,040,208,939. Now, what does that mean? I mean some people say well, big debt is okay, because that means that is taxes I did not have to pay. Wrong. This is the equivalent of one generation going out and buying a car and saying, I do not care how much it costs because my kid is going to pay for it when they get to be 30 or 40, plus interest, so I do not care.

I am going to go find the fanciest house in my home county and I do not care how much it costs because I am going to stick my grandkids with the bill. It is wrong. No parent would do that, no grandparent would do that, yet it is precisely what the political leadership of this country has been doing and, in the past 12 months, they made it worse. Because just like the folks at Enron and Global Crossing, they looked the American people in the eye and they lied to them about just how broke this country is.

Remember the quote from the President of the United States, from the Speaker, from the gentleman from California (Mr. THOMAS): ''We are awash in money.'' No, we were not. We were awash in debt. Because a year ago right now when those three people were saying that our Nation was $5,726,814,835,287 in debt. Just like anybody else who borrows money, we have to pay interest on that debt. And the biggest expense of this Nation is not defense, it is not health care, it is not taking care of veterans, it is not educating kids, and it is not building highways; it is squandering money on interest on the debt. We get nothing for it, and it costs us $1 billion a day down the rathole, and it is only getting worse.

Not only are they stealing from the average Joe, but they are taking from the Social Security Trust Fund. We now owe the citizens of this great country $1,300,000,000,000 of Social Security that has been taken from the Social Security Trust Fund and used for other purposes. There is not a penny there. There is no lock box. From the Medicare trust fund they have stolen another $271 billion, that is a thousand times a thousand times a thousand times 271. Yet, they had the nerve to look us in the eye and say, Washington is awash in money.

For my military retirees, we owe them $168 billion, a thousand times a thousand times a thousand times 168. For our Nation's civil service, the Capitol Hill policemen who are guarding this building right now, the FBI agents, the Customs agents, people who go out and protect our children, people who are looking for our children who have been kidnapped, they pay out of their own pockets into their retirement fund. It is supposed to be set aside for their retirement. We owe them $540 billion.

Mr. Speaker, it is time that this body got a chance to vote on a Balanced Budget Amendment to the Constitution so that these shenanigans come to an end before this country dies the way Enron and Global Crossing and now WorldCom did, that the country dies from its own debts.

□ 2145

CORPORATE GREED

The SPEAKER pro tempore (Mr. PLATTS). 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, I intend this evening to spend a little time with you talking about a subject which, of course, is on the minds of many people across this country, and I want to look into it in some depth tonight so we can have an idea of where the problem rests, with what individuals the problem rests, and I intend to name these individuals by name, and what are some of the solutions.

I think as Members of Congress, when we are elected to public office, we have an obligation not only to discuss the problems, but really our primary purpose in being elected back here is to try to come up with some solutions. It is always easy, always easy to determine about what the problem is. Sometimes it is easier than others. But what is more difficult is to come up with a solution. When we have tough problems back here, it requires that we cross the aisle. It requires that we take a nonpartisan approach, that we be as bipartisan as we can to come up with a solution that works for the American people.

My topic this evening is corporate greed. And I can tell you that on one side of the aisle, and this is the last point that I will be as pointed here as I am going to be right now, but on the Democratic side of the aisle, including the minority leader, the gentleman from Missouri (Mr. GEPHARDT), says they are looking at this corporate greed as an opportunity to gain 40 seats. That is what they say. We are going to take 40 seats as a result of this corporate greed. What I am urging the gentleman and his followers over there to do is quit talking about the type of political gain you can get out of this. Do not talk about that while the house is burning. What I suggest you do is work with us, all of us together, seize upon this problem, and work out a solution before this begins to spin out of control.

We have a stock market out there that is in trouble. And if you look at the fundamentals of that stock market, that stock market should not be in trouble. We have inventories that are down. We have corporate profits that are coming up. Our unemployment rate is staying low. Our inflation rate is staying low. There is a lot of good, promising signs that our recovery in this economy is forthcoming, that it is in progress. But we can shoot ourselves in the foot, and that is exactly what is happening when the likes of the gentleman from Missouri (Mr. GEPHARDT) come out here and say this is our opportunity to use it to our political advantage to gain 40 seats.

But that talk aside, the problem that is happening to the retired people out there that were depending upon their retirement from some of these corrupt corporations, the employees that have lost their jobs out there by the tens of thousands because of corrupt CEOs, that is what the issue is. The American people, not for one moment the gentleman from Missouri (Mr. GEPHARDT) believes that the issue here should be a decision between what we are going to do in November with political congressional seats. They do not want that. They want to figure out how they are going to keep their jobs and what is going to happen to the rascals, and rascals is only a friendly word to use for these CEOs that have allowed corporate greed to overtake their ethics and moral standards of this country.

These people are worse than bank robbers. Remember, a bank robber is generally a poor person robbing from a rich institution. The case I will talk about this evening are rich individuals in rich institutions robbing from the poor people. That is worse than a bank robber; and yet the gentleman from Missouri (Mr. GEPHARDT) and the Democrats decide that instead of trying to solve this problem and go after these people, to go after the Republican House seats.

I am asking you to put it aside for a minute and join us as a team, all of us as a team, Democrats and Republicans, unaffiliated. As a team we need to address the corporate greed that has overtaken some of our chief executive officers. There are solutions out there, and there are solutions that can occur with bipartisan support. This House, under the leadership of the Speaker of the House, and, frankly, under the demands of the President of the United States will this week in my opinion, pass legislation that will be effective to help address this problem. But we can only do it if the gentleman from Missouri (Mr. GEPHARDT) and the more radical Democrats put aside their partisanship and work towards the solution of getting our hands on these corporate CEOs and these corporations that are making their money by misleading, by breaching their fiduciary duties to the people that are really their owners.

I think it is helpful, and some of you have heard my comments in the last couple of weeks on the same topic, I do not mean to be repetitive, but I think it is important that we repeat some of the basics of corporations in this country so we have an idea, an understanding of what we are dealing with today.

Remember that corporations are not a body in themselves. They are not a human body, obviously. They are a structure that we made up in this country under our system. And corporations are a systemic model, so to speak, of how to carry out business that represents the interests of numerous individuals.

Keep in mind that not all corporations are bad. In fact, most corporations do a pretty good job. We have a lot of wonderful products in this country that are the results of corporations, both small corporations and big corporations. The mainstay of this economy is not the big corporations like the Enrons or the Global Crossings or the Adelphia Cable Company or the Tycos or the K-Marts. The mainstay is small business and there are a lot of small businesses in this country that are corporations. You can go down town anywhere USA and you will find them that have incorporated, and they have the local drug store on the corner or they have a little taxi cab service and they have incorporated or maybe a little airport charter store and they have incorporated. It would be a mistake, you cannot throw all corporations into the same net as the Enron Corporation. But you have to take the Enrons and the Worldcoms and the Tycos and the K-Marts and the corporations like that that have done bad and do something about it. You have to march them to jail. You have to bring discipline into the process.

Corporate structure in this country will only work as long as you have integrity as a part of the foundation. Of course, you have to have the other fundamentals. You have to have a legal structure. You have to have profit. But you have to have that integrity, and that integrity is a part of checks and balances that makes sure that the corporations, as Adam Smith would say, do not get out of hand; that we do not end up with a monolithic society where monopolies control everything.

Let us talk about the corporate structure and what responsibilities there are for the various people involved in the corporate structure. Now, this little diagram I put together, this probably would not pass in a classroom setting in Harvard Business School, but it is something I think we can all work with. And I think it is something that we can understand as I go through my discussion this evening.

The corporation. Remember, the very basic part of the corporation are the owners of the corporation, the owners of the business and that is what it is. It is a business, and it does not have to be a lots of owners. My wife, for example, her family are ranchers and they have a small ranch. And they probably have, I do not know, maybe 10 shareholders, maybe eight shareholders in their corporation. So we are not necessarily talking about large corporations. But for the benefit of this evening's discussion, let us talk about this structure. Here are your shareholders.

Now, a corporation like Enron or a good corporation that seems to be viable, IBM or Coke or some of these others, General Electric, General Motors, they have millions of shareholders. They have millions of owners. And, obviously, because even the largest owner, for example, of General Motors may only own a fraction of 1 percent, what these shareholders have done is they are you and I, there are more people in America today that are shareholders than at any time in the history of this country. And that is good. That is real good.

The problem is that if we do not reinstill the high level of standards of integrity and moral character in these corporations, we will see this large number of everyday Americans who are shareholders begin to reduce itself, and that hurts the system.

The more people we can get involved in the investment and in the business of our country, the better it is for the country. The better it is for the business. The better it is for the individuals. So shareholders are really the foundation in the corporation. They pool their money together so that they can build a business. And that is exactly what has happened.

Now, the shareholders are represented by a number of different people and different people have different duties to the shareholders. Again, keep in mind the shareholders are the owners. For example, here, the shareholders elect a board of directors.

Now, what is a board of directors? A lot of people will tell you that the chief executive officer, which in the old days was called the president of the corporation, that the president of the corporation was really the person who ran that corporation. That is not true. The chief executive officer and, remember, that president and chief executive officer, for the purpose of my discussion this evening, these terms are synonymous. You can trade them off. So we will talk CEOs.

The CEO of that corporation is not the top individual of that corporation. He or she answers to the board of directors and answers to the shareholders. And here in this particular case, this is the fundamental structure, you have the shareholders who elect the board of directors. This is an election year; and they elect these board of directors to represent their interests, the interests of the shareholders. They do not elect this board of directors to represent the interests of the chief executive officer. The chief executive officer is simply a tool in the operation of this corporation.

Now, this sounds a little mundane; but you have to have a pretty good understanding of this to figure out where this fraud is taking place, why the checks and balances in our corporate structure in this country have broken down, what we need to do to bring back solutions.

Let us talk about some of those checks and balances. We know that the shareholders elect a board of directors to represent the shareholders, to help provide a vision. And a lot of times the board of directors, you have two different types of boards, you have two different types of board members. You have an inside director on the board. An inside director is somebody who is employed with the company, and in almost all of the companies that I am aware of, the chief executive officer is also a member of the board of directors. But because the chief executive officer is employed by the corporation, he or she is considered to be an inside director.

An outside director is someone who is not employed by the corporation, but, rather, has some type of business, theoretically, some type of business expertise outside the corporation that can bring that expertise to the corporation to benefit the corporation in guidance and to represent the shareholders.

So, first of all, you have the shareholders. They elect the board of directors to represent them and then the board of directors to run the corporation hires the chief executive officer, and that is this box right here. Now, the chief executive officer represents, runs the day-to-day operations of the corporation. And, remember, the chief executive officer is not the top official in the company. The chief executive officer has to answer to a board of directors. The board of directors has a responsibility to be sure that the chief executive officer is carrying out his or her duties.

On top of that, the board of directors has a fiduciary duty to the shareholders to be sure that their chief executive officer meets the kinds of standards and is able to run the corporation.

Now, the CEO, we have a little box right here to my left that I call ''insiders.'' You hear a lot lately, and we will go over some of the corporations, you hear a lot lately about insiders, people inside the corporation who get special knowledge, who know when the stock is going to go up or down; and they have a special advantage, and they have an advantage over somebody outside the corporation, especially on a publicly traded corporation.

Well, we know that, and the Security Exchange Commission, and in this country it has been the law for a long time, there are certain rules that insiders have to follow. They cannot deal stock, for example. Generally, they cannot buy or sell stock based on inside knowledge on a public corporation. They have got to be able to disclose that kind of thing. It is very obvious that fraud has been committed.

Take the example of ImClone. ImClone is the one that you probably better know as the corporation matter that is involving Martha Stewart. There you have insiders of the corporation who know that a particular drug was not going to receive approval by the Federal Drug Administration. They also knew that as soon as word got out to the shareholders, to the people for whom they worked, that as soon as word got out the value of that share would collapse. So what did the insiders do? They went and sold their stock, and they called their buddies like Martha Stewart and others and made sure they could also sell their stock before the general knowledge within the corporation became known. That is what is called inside knowledge.

The same thing with K-Mart Corporation. The same thing with Adelphia Cable. The same thing with TYCO. The same thing with Enron Corporation. That is an example we have had around for several months. WorldCom. Scott Sullivan who, by the way, has a $19 million home down in Florida that he is living in, a lot of it is based on insider knowledge. The same thing with Global Crossing. Gary Winnick out in Bel Air, California, building a $90 million home.

These people are robber barons. They were trading on inside knowledge because they are insiders. And, unfortunately, in many of those cases, the board of directors, who had a fiduciary responsibility to oversee these people, in many cases did not oversee them. They joined the robber barons. They help rob the shareholders of value.

□ 2200

Not just the shareholders, but the responsibility to the public at large, and instead of coming out with a better product, like a good toothpaste or a better car, instead of doing that, they decided that in the short run, it would be better to cheat the people, cheat the shareholders. I can tell my colleagues anytime we have a chief executive officer like Gary Winnick with Global Crossing, like the Adelphia Cable Company and the Regis family there, or the Enron corporation with Andrew Fastow, who paid himself $30 million, where was the board of directors? Take a look at Kmart, the Charles Conaway, Bernie Ebbers, I have got a bunch of names I can give my colleagues here. Conseco, Steve Hilbert.

Any time we see a problem with the chief executive officer of whether they are overpaid or whether they are improperly using inside knowledge, whether they have improperly disclosed inside knowledge, we will find two things. One, they are doing it for their own self-enrichment, to make themselves wealthier, as demonstrated by the Scott Sullivans of Florida, by the way he is protected from bankruptcy by a $20 million home, or Gary Winnick with a 90-million-plus home in Bel Air, California. We will see, number one, it is self-enrichment, and two, we will find negligence on the board of directors.

Can my colleagues tell me that the board of directors for Enron Corporation, for example, were carrying out their fiduciary duties in representing the shareholders and allowed Andrew Fastow to go out there and create several satellite companies? And just to be a little sarcastic, I guess, or a little smartie, he named them after Star Wars characters, and then paid himself $30- or $40- or $50 million on top of the money that he paid to his buddies.

I mean anytime we find a bad CEO, we are going to find generally a bad board of directors. I am not talking about a bad CEO who misreads the market. I am talking about a CEO that has got a problem with morality, that has got a problem with honesty, that fudges the figures, like Scott Sullivan or Bernie Ebbers, that moves expenses, capitalizes them instead of expenses, and I know that is kind of an accounting term, but these kind of things are fundamental to a board of directors. They know what is going on. If they do not know what is going on, they are breaching their duties.

Let us go on. So this is what we would call basically the insiders of the corporation, the board of directors, the CEO and so on. They reach outside the corporation generally for two separate functions. One of them is outside auditing. A good chief executive officer looks at the outside auditor, and of anybody they want to be honest with them, if they are a good chief executive officer, the one group of people they especially want to be straightforward with them and not hide anything are the outside auditors because they are the ones who can tell them whether their strategy is working or not. They are the ones who can tell them, hey, the company, the business is going in the wrong direction; hey, our productivity is down; hey, you have got too much expense over here, you are not expensing properly over here. The auditors should be noncompromised.

We have seen what has happened over time and, of course, the perfect example there is Arthur Andersen Corporation. It is an auditing firm, and what happens? Unfortunately, there were a lot of good employees with Arthur Andersen and there were a lot of people who retired from that company who saw their entire retirements eliminated because of the misbehavior by a few of the employees of this corporation, but those particular employees, the auditors, the accountants, they got too cozy with the management.

What happened in Enron's case? They had their auditors who are supposed to be at arm's length, are supposed to give an honest assessment of the status of the corporation, and we can look at it. It happened in Global Crossing. It happened with Kmart. It happened with Sunbeam. It happened with ImClone, Xerox Corporation, where the auditors who were supposed to give an independent and frank assessment of the corporation, they did not do it, and then Enron Corporation, what happened is the auditors, they were auditors by day, consultants by night.

What do I mean by that? Arthur Andersen Corporation, for example, with Enron would collect maybe $14 million a year to do auditing, but they also collected $40 or $50 or $60 million a year to do consulting. Do my colleagues think that when they give the CEO bad news that they are going to want to give him the bad news if they have a consulting arm of their corporation that makes a lot more money off him? Too cozy.

There is a solution to that, and that is we require auditors to stick to the business that they are there for. They are not in the consulting business. They are not there to self-enrich themselves at the expense of the shareholders or at the expense of the employees, and of anybody, any classification on my chart that is the most unfortunate group of people, it is the employees. They are the ones who got hit the hardest. They are the ones who risked their jobs. In many cases, tens of thousands lost their jobs, and it is pretty upsetting when we see people who did not have meager retirements, had those retirements wiped out, while Gary Winnick of Global Crossing lives in a $90 million mansion in Bel Air or Andrew Fastow in Dallas today, as I am speaking right now, sitting in a multimillion dollar home, or Scott Sullivan down there with the WorldCom, Scott Sullivan. He is still building his $20 million home.

These people have betrayed not just the shareholders but they have also betrayed the very people that worked so hard for them, and this is where accountability comes in. These people should have been revealed very early on. None of these little cooking-the-book maneuvers, none of this fraud that took place, none of this deceit to the board of directors or even with the board of directors to the shareholders, none of this should have occurred had the auditors been on their toes, had the auditors done what they were supposed to be doing.

In the case, for example, of Enron, Arthur Andersen did not do what they were supposed to be doing. In fact, they cozied up to the management because they could self-enrich themselves. That is what we are seeing happening here.

By the way, we are not seeing poor people, hardworking poor people that are enriched by this. We are seeing in a lot of cases people that are already wealthy and have to become wealthier. We see these people, the wealthiest people of the company, robbing the least fortunate people of the company. Let me continue on here.

We have got to fix the auditing and, of course, the most obvious thing for auditing is to draw what they call a Chinese wall. We draw a wall between the auditing aspect of a company and the consulting. There is a need for consulting, corporate consulting, but in my opinion, it should not have anything at all to do with the auditing branch. Audits should be separate. The auditor should not be allowed to have any type of conflict of interest with the corporation. They should not be allowed to own stock in the corporation that they are auditing. They should not even get a free cup of coffee from the corporation that they are auditing. They should not announce their arrival. They should go in, they should do their work, they should summarize their results outside the corporate offices.

Arthur Andersen actually had offices set up in the Enron office building. They mingled, had coffee, ate lunch, played golf, went to the theater and did investments with the very people they were supposed to keep an eye on. There is a saying, when the cat is away, the mice will play, and that is exactly what happened.

One of our checks-and-balances on these corporations were bad, and let me say, again, not all of them were bad. We have a lot of good companies out there that produce a lot of good products that treat their employees right, and we have a lot of people who have jobs and we want to preserve their jobs. Jobs are very important, but the fact is, here, the cat, the auditor, went away and what happened? The mice did play. So we have got to work on that.

Legal counsel, we have got legal counsel out there. I used to practice law. I know what they have to do. I know what the code of ethics is. That attorney with Tyco, and I can give my colleagues his name, general counsel, Mark Belnick, gave himself a $20 or $30 million bonus. Every corporation has to give public reports if they are public corporations, and these are supposed to be readable. They are supposed to be honest. And what did the attorney with Tyco Corporation do, Mark Belnick? He is an attorney. He has certain standards he is expected to meet to pass the bar, to be allowed to enter the bar of the State in which he was working.

What did he do? He paid himself a $20 or $30 million bonus, of course, at the expense of the employees, and by the way, at the expense of the retired employees who have now had their pensions wiped out, and the shareholders. Not only did he do that, he made sure it was broken up in such a way it did not have to show up in the public report. Why this person still has a license to practice law is beyond me. I think he resides in New York State. Why New York State, their bar in that State, has not already called him in front of the bar to yank his license, I do not know.

Those are the things that our society, those are the things that we have got to get serious about, and it requires a bipartisan effort. We have got to hit this corruption hard and quick. The corruption is not widespread. The perception is that the corruption is widespread out there, and it will become very widespread if we allow it to continue without punishment.

These chief executive officers, these lawyers, these auditors that are not performing to the standards that are expected of them, need to be punished very quickly. We cannot allow them to go unscathed. We cannot allow the Scott Sullivan in Florida to go ahead and finish his $20 million home or Gary Winnick with Global Crossing who now lives in a $90 million, can my colleagues imagine a $90 million dollar home? Do we think he got that $90 million because he figured out a cure for cancer? Do we think he made his $90 million house because he invented a new seat belt? Do we think he got $90 million because he came up with a drug that would cure the common cold? Do we think he lives in a $90 million house because he came up with a textbook that would help our students in elementary school or some type of computer programming that would help our young people learn better? No, he did not get it that way. He got it because he breached the trust of his corporation. He breached the trust of his employees. Gary Winnick paid himself out of Global Crossing. I think he walked away with $790 million. Show me anybody in our society worth $790 million.

Or take a look at Kmart Corporation, what those guys did, the executives of Kmart Corporation and Charles Conaway.

Charles Conaway, the chief executive officer, they made themselves loans from Kmart. Kmart is not a bank. I do not think I have to tell anybody in here Kmart is not a bank, but these chief executive officers treated it like their own bank, and Conaway, for example, loaned himself from the corporation money and then a week before he took the corporation into bankruptcy, he went ahead and had the loan forgiven, had the loan forgiven, and we see that incident time and time and time again.

I have a whole packet here of the names of these individuals, and I am going to go through a couple of examples, for example, of inside knowledge here in a moment. The point is that we have to have auditors to do their jobs and we have to have attorneys who are legal counsel, that attorney, who know what their role is. Their role is not self-enrichment in the corporation. Sure, they should be paid for their services, but they were not brought into that corporation to make themselves millionaires.

This is exactly what happened in Tyco, for example. Tyco, of course, was tied in with Dennis Kozlowski, and my colleagues may remember Dennis. He is the guy that is worth three or $400 million and decided to cheat the State of New York by not paying sales tax on a few art pictures. Not much money relative to how much money he was worth.

So what happens? I tell my colleagues, whenever we see this kind of cancer, whenever we see this in a corporation, it spreads. When we have the Dennis right here and the legal counsel in that particular case, both of them corrupt, what happens? Take a look. We better look at the books of that corporation real carefully.

Let me go on here for a few moments. The management team. The management team. How could a management team at Enron Corporation that in any way whatsoever was looking out for the interest of the shareholders or living up to its civic responsibilities in the community, oh, sure they went out and put their name on the football stadium, and, sure, they went out and donated to charities, and, sure, they paid their board of directors a lot of money, but the way they did that was through fraud. It is very simple. It is not a complicated case. Do not let them tell you that this brings up the debate of whether or not this fraud should or should not occur.

The reality is we do not allow somebody like Andy Fastow to go out and pay himself $30 million to live in multimillion dollar homes to run these corporations that the board of directors now claims they did not know anything about. We do not care whether they knew about it or not. It was their job to know about it and they are responsible at any one of these levels, at the management team, at the CEO, at the board of directors, at the auditing, at the legal counsel. That is where the buck ought to stop.

□ 2215

The buck stops here. Any one of those you could put that plaque on their desk.

Well, let us talk now about the bottom bracket I have here, the employees. In all this corporate fraud that we have heard about and these chief executives, like Ken Lay, and Sam Waksal, or Frank Walsh, or Charles Conaway, or Bernie Ebbers, or Scott Sullivan, in all of this the attention is focused on them. You know where the attention should be focused? You know what we should do with that $90 million house of Gary Winneck's in Bel Air? We ought to take that house and make it into apartments and let the employees at WorldCom live there for free that had their retirements wiped out.

And Enron Corporation. Now, you may say, wait a minute, Enron was not that old, or WorldCom was not that old, so how could people lose their retirement; how could people have been working for that company for so long? Well, what happens is WorldCom bought other companies, smaller companies that had employees who had worked there for a long time. They merged these companies together. Do you think any of these retired employees are living in a house like that right now? Do you think they got a square deal?

This home is Scott Sullivan's home. If you want to see it, you can see it down in Florida. Why is it built in Florida? Because he can exempt it from the bankruptcy law. I hate to tell Mr. Sullivan this, but it is not going to be exempt from criminal indictments. I hope the U.S. Attorney and the IRS and the INS, and all the people that have jurisdiction over this matter, look at this very carefully. This home ought to be given to the retired people of WorldCom who have lost their entire retirement. Even if it only gives them back a few cents on the dollar, at least there is some equity in that.

Where is the equity in a home like that for an individual who has run a corporation into the ground not because they misjudged the product, not because the economy went south on them, but because they committed fraud, because they wanted to enrich themselves.

Take a look at Gary Winneck's home. This is a $20 million home. Gary Winneck of Global Crossing has a $90 million home, five times the size of that home. That is what we ought to do with these homes, take them back. We need to grab those assets that were taken improperly from the corporation and return them to the people of the corporation, to the shareholders. Most importantly to try to provide some justice to the retired employees and the employees that lost their jobs.

Over the weekend, WorldCom Corporation went into bankruptcy. How many people do you think today working for WorldCom, that still have their job today, are sitting around relaxed in their front room tonight, wondering about their job security? You think they are relaxed about that? They are probably sick at their stomachs. Will I have my job tomorrow?

They would have their jobs tomorrow, and I hope they do have their jobs tomorrow, if we had had some integrity in the board room, if we would have had some integrity in the management. WorldCom is an excellent example. Tens of thousands of people, current employees, are worried whether they are going to have a job tomorrow. The head of it, Bernie Ebbers, made sure before the corporation went into a bankruptcy he got a $408 million loan from the board of directors. Now, tell me those board of directors are watching with the fiduciary responsibility on behalf of the employees by loaning Bernie Ebbers, the chief executive officer, $408 million.

All of these people that are losing their jobs, these are jobs that did not need to be lost. These are people they were not engaged in the fraud. They were not engaged in self-enrichment. They showed up at work every day at 8, went home at 5, 6, 7. A lot of them put their heart and soul into the company. And a lot of the retired employees cannot rebuild. They are in their 60s. They cannot rebuild. Who is speaking for those people?

That is what we have to keep in mind when we take this legislation through. When these individuals are prosecuted, like the Rigas family, with Adelphia Cable, the Rigas family bought their own professional sports team, they took $3.5 billion out of the corporation. We have to make sure that we reach back out and pull that back in, if for no other reason than to help the employees and the retired employees of that company. They deserve more than they have gotten.

Well, let me go on. I want to talk jump back up here, because I think it is a good time to go over an inside deal. What I am talking about, when I talk about an inside deal is, remember that I said earlier an inside deal is where you have people inside the corporation, inside the house, so to speak, who have information that people outside the house do not have. Well, the people outside the house are supposed to get it on somewhat of an equal basis so that you have a square deal, so that you have an equal playing field.

Here is a good example of a corporation that did a lot of inside dealing, and I think the facts are going to bear out that it involves an awful lot of people, including one well-known individual by the name of Martha Stewart. December 4. Let us look at this. Here is the company, ImClone Systems, Incorporated. What did ImClone do? ImClone's stock went through the roof because ImClone, the President and CEO of ImClone came out and said they thought they had a cure for cancer. The president was Sam Waksal. The president came out, or the CEO, and led people to believe they had a cure for cancer. They thought they did when they went to the FDA, the Federal Drug Administration.

They also buddied up with the stock broker, the analyst that was figuring out whether this was a good buy for the buying public. An analyst is supposed to be an outside person. In several of these cases, including WorldCom, you will find out that the outside analyst, a guy named Grubman, and by the way there is an article on the front page of the Wall Street Journal about him today, is supposed to be an outside consultant, but he was actually attending board meetings, yet he was supposed to give some kind of independent analysis.

Well, what happened here is the stock was hot because they thought they had a drug that could cure cancer. Well, around December 4, 2001, the Food and Drug Administration officials informed ImClone that the drug was not going to get certified; that they did not believe that the trial tests indicated that the drug really was effective as a treatment against cancer.

Now, what do you think is going to happen to the value of the stock when word gets out on the street that the drug is not going to work. Of course the stock is going to good through the floor. But the chief executive officer, the CEO and the other top executives of this company, they found out 2 or 3 days, in fact, several days, they got the hint around December 4 that this drug may not be approved.

Now look what happens from September 6 to the 11. All of a sudden the executive officials, as if they got some kind of hunch that fell out of the air, as if they are brilliant strategists, instead of sharing that information with the general public, instead of sharing that information with their employees who had worked so hard for them, instead of following the Securities and Exchange Commission regulations of how this information is disseminated out there, they start selling their stock.

From December 6 through December 11, they unload over $5 million in stock. Now, they would like you to think it was a coincidence. December 26, the CEO finds out that, in fact, the FDA is not going to approve the drug and they are going to make the announcement on December 27 or December 28, 2 days later. He immediately transfers $5 million in stock to his daughter. Then what happens? On December 27, he contacts his daughter and she starts selling the stock, because they know the announcement is coming the next day.

Then her broker, who is in all of this, happens to also be Martha Stewart's broker, and he contacts Martha Stewart. There is a message that is left for Martha Stewart, and that message is right here: ImClone is going to start trading downward. Now, this broker's name is a guy named Peter Bacanovic, B-A-C-A-N-O-V-I-C, and Bacanovic, it seems, would be the pronunciation, but Peter, we will call him. Peter would like us to think he had this instinct the stock was going to go down.

Now, Peter, by the way, was a very close friend and used to work for this corporation and was very tight with the CEO. In other words, every angle you look at any large sale of stock during that period of time by the chief executive officers or the broker or the Martha Stewart, every one of them smacks of inside information. Every one of them.

The conflicts are overwhelming in what happened in this particular company. And who got cheated here? The people that got cheated here are the people that did not know. And under our system of corporate governance, we are supposed to have an equal playing field. We are supposed to have a square deal. But that is not what happened. That is a result of inside information. Inside trading information.

That is why we here in Congress, on a bipartisan basis, and not following the focus of the gentleman from Missouri (Mr. GEPHARDT), whose primary focus is to gain 40 seats from the Republicans, our primary focus should be to save these jobs. My primary focus here is to stop this inside trading. My primary focus here is to restore corporate governance credibility. We have lots of people in this country that are shareholders and they are shareholders because they have some faith that these kind of deals should not go on, like what went on with ImClone.

And they are not alone. It went on in Global Crossing, it went on in Enron, obviously, it went on with Kmart, Xerox, WorldCom, Sunbeam, Conseco. These shareholders want to know that there is something to clean it up if it goes on and that there is checks and balances, like an independent auditor, unlike the demonstration of Arthur Andersen, that can go in there and tell you it is not happening; that the standards and the credibility of the corporation are intact. That is why I am calling upon my colleagues to act swiftly and firmly to stop this before it spins out of control.

As I said earlier in my comments, this is not typical of the average business in this country. Remember, most corporations in this country, by and large, are small businesses, and these small businesses are mom and pop operations and they run good businesses. And the American economic machine is dependent on these businesses. So we cannot just throw out all business. And it would be wrong for us to say all business is bad. It would be like saying all Catholic priests are bad because you have to get rid of a few bad apples.

But the fact is if you have a bad apple in the bushel, you better find out where that apple is and you better get rid of it because it ruins the other apples in the bushel over time. This is the opportunity we are presented with today. Our opportunity today is to take these corporations and ensure that we go back to where we are supposed to go. We have plenty of examples, and I want to show a few of them.

Here are a few examples. Commonly known names. These companies have bad apples in the bushels. They have bushels of apples that we have to go through and get rid of the bad apples. Let us start with Tyco. That is where the chief executive officer tried to cheat New York State out of sales tax on a few pieces of art and paid himself hundreds of millions of dollars from the corporation.

His lawyer, who was supposed to be kind of a check and balance here, his lawyer paid himself $30 million. And this lawyer's name was Mark Belnick. Mark paid himself $30 million in this corporation and then he structured the payments from that corporation in such a way that it would be concealed from the reports that they gave to the public. In other words, he kept two sets of books, one set to enrich himself, the other set for the public to take a look at.

Now, WorldCom. We know all about WorldCom.

□ 2230

It declared bankruptcy this weekend. How many thousands have lost their jobs? And what is happening to the chief executive officers there?

Bernie Ebbers made sure before he resigned, he made sure they agreed to pay him $1.5 million a year for the rest of his life. That is on top of the $408 million loan. The board of directors of that corporation, theoretically representing the interests of the shareholders and the interests of the employees, gave Bernie Ebbers a $408 million loan. How many corporations in the world have ever loaned their chief executive officer anything close to that?

K-Mart's chief executive officer was Charles Conaway before they took that company into bankruptcy, and a lot of Members have been in K-Mart. There are a lot of hard-working people, and they do not make big wages. Those people barely get by on the wages that they make. But at the top, that is not the case. Those executives enriched themselves by giving themselves loans from the corporation. But these loans were a little peculiar. The chief executive officer knew what the definition of a loan was, and that is what you pay it. But they wanted to keep the money. So right before they took K-Mart into bankruptcy, they passed a board proclamation forgiving the loans.

Xerox Corporation, they overstate their earnings. They cook the books.

Arthur Andersen, these are supposed to be the CPAs. That is supposed to be the check and balance in the system. They end up cozying up to the chief executive officer and getting a share of the deal, and it compromises them. It compromises them to the point that things that should have been caught and avoided a long time ago by the auditors were not.

We always deal with greed. It is human nature. I do not care what country, what religion it is, you always deal with greed as a fact of human nature. As a check and balance we know that, we know that. That is why we have auditors. I can tell Members, we are going to get people like the Andy Fastows or the Scott Sullivans of WorldCom, but we expect the auditors to catch that.

As I look back at these corporate problems, which as I said earlier are limited in nature, but it can spread very, very quickly. If I were to look at one place, the first fire call that came in, the first fire truck that should have picked up the problem, I keep looking at the auditors. I am severely and deeply disappointed by the auditing industry in general, by the accounting industry in general. Remember, Arthur Andersen is not the lone one. In Enron, Waste Management, WorldCom, Sunbeam, Adelphia, Conseco, every one had different auditing firms.

The auditing and the accounting industry has got to clean house, and they have to do it themselves and do it quickly. I do not think that auditors should be consultants. I do not think consultants should be the auditors. We have to have that separation. But the fact that the first people that should have picked this up were the auditors and it did not happen, that is an important check and balance. That is Arthur Andersen.

Enron is pretty self-explanatory: self-enrichment. A board of directors that has conflicts as far as the eye can see. We have private, secret companies that are paying $30 million to people like Andrew Fastow over a 6-month period, and his buddies made 5 to $10 million a month in little side deals he feeds them. Where does that money come from? Not because Enron figured out a better way to deliver electricity or natural resources for minerals or developed a better product or mouse trap, as the old saying goes, because Enron allowed this fraud to go on; and they were abetted in the fraud by legal counsel and Arthur Andersen.

What happens to these people? This is how we solve that problem. They go to jail and when they go past go, they do not collect their money. That is the only way we are going to get this message across. There are other solutions, and I have mentioned a couple.

One, the auditors should not be allowed to consult and the consultants should not be allowed to be doing the auditing. But there are some others. We have to look at the board of directors and what kind of conflicts of interest the board has with the company. Enron is a good example, or WorldCom.

We have a director at WorldCom who uses a corporate jet. Let me tell Members about a corporate jet. If it is a jet of medium size, let us say it seats 8 to 10 passengers, that jet probably costs $15 million to $20 million, probably costs the corporation, even if it is just sitting, the expenses probably run $100,000 a month; so on a 15 to $20 million jet, it is probably around a million dollars a year.

WorldCom on its board of directors makes a deal with one of the board members. We will rent this jet to you, and we have to be fair because that jet does not belong to me, Bernie Ebbers; it belongs to the corporation and that jet is used to move people around. So we cannot just let you use the jet. We are going to lease you the jet. The board of director, just to make it convenient, we will park the jet on a full-time basis at an airport closest to where you live. It costs about $100,000 a month to have this jet; we will lease it to you for $1 a year. That is what happened at WorldCom.

Mr. Speaker, we have to have some different standards for our board of directors. Board of directors should not have things that the common sense, the prudent man, the reasonable-man standard would say look, that smells. That is not ethical. Common sense would say it is just not right.

I would assume that today in corporate boards throughout America, probably throughout the free world, as well as the executive officers, are probably taking a pretty harsh look at how they handle these issues.

I can tell Members there was an interesting editorial the other day in the Denver Business Journal. They wrote about me saying a staunch Republican standing up on business discussing WorldCom and the comments I make.

Mr. Speaker, I used to be a police officer, and there used to be a saying out in the police business. The worst thing for good cops is a bad cop, and it is the same thing here. The worst thing for good business is a corrupt business person, somebody who cheats. That is the worst thing we can get. The worse thing for a sport is somebody who cheats. In the short run, your favorite team wins because somebody cheated; but over the long run it hurts the sport and the people participating in it and the people who have participated in it like the retired employees.

What else can we do. Clearly, our board meetings should not be open to the stock analysts. The stock analysts, and we can take a look at the stock analysts with WorldCom. We can look at Grubman that is on the front page of today's Wall Street Journal, or the stock analysts which worked with ImClone, that is the one that Martha Stewart is involved with, those people were like they were brothers and sisters with the corporate board. They were like they were hatched in the CEO's office. Those people are supposed to be independent.

We heard about some of them. They stand in front of the TV and say, What a wonderful stock. I will give you a little advice, buying public. If you want to ensure your retirement and retire early, buy this stock on its way up. Off the TV camera, they have them sending e-mails, this stock is a sucker. Boy, does this stock stink. Corporations across the country have to move quickly to put a stop to that kind of thing.

Does more regulation help? Generally, I am not too sold on more regulation, but I think this has taught us in the government some lessons. We have to tighten up some areas. We should require that options are expensed. Right now, stock options are not. We should require, I think, for example, that auditing and consulting should not be done by the auditing firm. There should be a separation.

But the regulation, the loopholes we can close, and we will close a number of them this week thanks to the leadership, and help from both Democrats and Republicans and President Bush, we are going to close some of those loopholes this week. But that is only part of the formula. The other two things for this to work is the industry itself. Business itself, whether it is a mom and pop or a Xerox, they have got to have a self-cleansing. They have to get that bad apple out of the bushel, and they have to do it now.

The third thing we have to do, and I will conclude with this, but the third thing that we have got to do is we have got to punish those who have enriched themselves at the expense of others. We cannot allow, for example, Gary Winnick to live in his $90 million home after he took $790 million out of the company. We should not allow Scott Sullivan to bathe in his private pool at his $20 million home he is right now building at the expense of WorldCom employees, at the expense of WorldCom investors and mutual funds across the country.

We should take the ill-gotten gains, and that is the buzz word. We must act. Our U.S. Attorney's office should act. The IRS should act. The Security and Exchange Commission should act, and I am confident that they all are; but they must act with haste. They must move quickly, firmly, and constitutionally. I am not saying that we infringe on legal rights.

But look at ImClone. There is so much evidence that we need to punish the people. We cannot have a repeat sequence of this. We have to let people know if you are going to lie to the employees and cheat them out of their retirements and cook the books, if you are going to misuse corporate assets and self-enrich yourself, it is not tolerable. We need to go after that kind of behavior.

Mr. Speaker, I know that some of my comments appear repetitive, but I am worried about this. There is no reason that our stock market should be dropping like it is. The fundamentals are pretty solid. Our recovery will not be a big boom economy because the recession was not that deep of a recession. The techie stuff, the telecom, that bubble burst; but we are still on the way to a recovery. This market is overselling right now, and one of the factors why it is overselling is because we have to figure out the integrity on corporate governance. It is not the kind of thing that is going to be solved by the gentleman from Missouri (Mr. GEPHARDT) claiming that he is going to take 40 seats from the Republicans, and that is why they love this issue and why they are going to focus on it.

It is going to be solved by a bipartisan effort from both sides of the aisle along with the Senate and the President by saying here are the regulatory things that need to take place; business, here is what we expect you to do in order to restore credibility to the market. That is what will help stabilize our stock market. In the end, an honest business person is a winner for everybody. We have to remember that because the backbone of our economy is small business and most of what we deal with is small business, not the ones that I just talked about. Let us get rid of the big bad apples in the bushel so the rest of the apples are as good as we know they can be.

□ 2245

MARKET DIVE AND ITS EFFECT ON THE ECONOMY

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

Ms. NORTON. Mr. Speaker, I listened attentively to the remarks of the gentleman from Colorado. I was certainly in agreement with much of what he had to say. What amazed me was how much of his remarks were devoted to things that the Congress cannot do anything about. You can preach to the board of directors and you can talk about bad apples all you want to, but this is the Congress of the United States. We are empowered to take action against the fraud and abuse that is driving our market down. Only near the end of his remarks did the gentleman even mention pending legislation. If a Member of the House gets up on the floor, you would think he would discuss what it is we are going to do about it. Most of the remarks of the gentleman were devoted to some awfully bad apples, some folks who the President has said should go to jail, Democrats have said should go to jail, Republicans have said should go to jail. But if this problem was only about locking up a few crooks, the market would not be responding the way it is. It is about corporate greed, to be sure, and the gentleman was very correct in focusing on the manifestation of that greed. But there are some questions that the public, far more pointed questions that the public is asking the Congress now.

Where was the Congress when Arthur Levitt tried to bar consultants from auditing the companies that paid them to consult? The gentleman railed about this matter, but did not tell you that it was Congress that kept Arthur Levitt from, in fact, going forward with a regulation that would have barred precisely that problem which has led to so much of the abuses we are seeing now.

Where was Congress when President Clinton vetoed H.R. 2491, a veto that was overridden by the Republican Congress allowing corporations to raid workers' pension funds by significantly lowering the safeguards that were put in place in 1990 by the Democratic Congress?

What can Congress do? Congress can look at, and correct, the aura of corporate deregulation of the 1990s led by the Republicans in the House. In 1995, the Private Securities Litigation Reform Act, that is a fancy name for a provision, a law, which makes it harder for shareholders to bring securities fraud suits. In the name of reining in the lawyers, what the Republicans did in 1995 was to rein in the shareholders who now have a harder time going to court to sue for the very abuses that are driving the market down as I speak.

So if we are going to talk about what is happening out there, by all means let us call out names for the bad apples that are running all around corporate America today, but let us be clear that this problem is far more systemic than a bad CEO here or a terrible accountant there.

Today, of course, WorldCom went where everybody knew it was going, down and out, and it took a lot of good folks with them, meaning a lot of average Americans, a lot of workers. I know about the workers because here in the Washington area is perhaps the largest number of WorldCom workers in any one spot, 6,000 workers, lots of whom will not have jobs much longer. Some of them will because some of these businesses are, in fact, going to stay up and running and WorldCom at some point will stabilize. The market was down 235 points. We should be grateful for small favors. It was 400 points on Friday. But in a real sense, my friends, the instability is worse than the dive. What is panicking investors is the sense that this thing has gone wild and is out of control, out of control of us, yes, and that we do not know how to stabilize and restore confidence in our economy.

There is only one way to do it. If we deregulated too much, did not regulate enough, there is a bill pending before us, not the weak sister passed by the House, but the Sarbanes bill which the President has said he would sign which passed the Senate of the United States, listen to me, 97-to-nothing. The gentleman talked about bipartisanship. That, my friend, is bipartisanship. A bill that passes by that margin is not about to give in when it comes over to this part of the House. The American people want us to put this matter to rest before we march out of this Chamber at the end of this week for August recess. The biggest bankruptcy in history surely should be enough to make us do just that. Bigger than Enron. Twice as big as Enron.

But, Mr. Speaker, I do not conceive the problems we have in quite the same way as is being discussed by the pundits and, for that matter, by the gentleman who preceded me. It is not about corporate misconduct alone. It is not about income restatements alone, even though the combination of the corporate misconduct and the restatements of earnings, meaning that the earnings are not nearly what we said they were when we put out our last statement, those two factors, the restatements, the misconduct, seem to be in the driver's seat of the economy now, driving it as productivity is not driving it, driving it as nothing else is driving it. But the market decline is so serious and is so unpredictable that it could take us into a longer recession if we do not get a grip. One way to get a grip is to pass the Sarbanes bill out of here before the end of the week.

I want to focus this evening on the effect on the national economy in a number of different ways of the market dive, of the instability on the average American. I suspect that all over America, these cable shows, these news reports about the market are bringing two reactions, confusion and panic. I want to do what I can to help break this down, at least as I see it. We had best be very careful. The latest measure shows that most Americans have now switched to saying that the country is on the wrong track. On the wrong track is not your usual kind of poll: Are you for it or against it? Is it doing right or doing wrong? It is used to measure such things as confidence in the economy, and when people check off the box saying that the country is on the wrong track, they are checking off several different other boxes as well. They are checking off the box that says I'm going to stop spending; this, even though the economy is growing. I'm going to stop spending. I'm going to go away for a while. I'm going to flee the market. This is serious. Because the economy we have experienced over the last dozen or more years, to the extent that it was a good economy was driven by consumer spending. Consumer spending drives, what is it, two-thirds of a good economy in this country. So when people say it is on the wrong track, we have got to work together. Here is where I am at one with the gentleman from Colorado. We have got to work together to restore this confidence and