

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, we are in morning business; is that right?

The PRESIDING OFFICER. The Senator is correct.

WASTE, FRAUD AND ABUSE AT THE PENTAGON CANNOT HAPPEN

Mr. GRASSLEY. Mr. President, I will address the issue of defense expenditures and the rapidly rising appropriations for defense, particularly for the war on terrorism, and do it in light of the fact that probably within the next couple of weeks the budget will be before the Senate.

The 9-11 attack wiped out any lingering doubts I or anybody else had about the intention of terrorists. Their intentions are now crystal clear: Kill as many Americans as possible and bring a lot of psychological trauma on the American people. I do not doubt for a second they will strike again when they think the time is right. If they do not, we will be lucky, but if we do not plan on it, we will be stupid.

We must not allow American citizens to live with constant fear that moment will come again. This is a threat to our way of life. As Americans, we cannot accept that threat to our way of life. The terrorist threat must be eliminated.

President Bush is doing everything possible to restore and maintain our security at home and to win the war on terrorism abroad. The war on terrorism will not come cheaply. We must all accept that. Right now we have no choice. So I am not going to quibble with the details of the Department of Defense budget and the recommendations from the Senate Budget Committee. Secretary Rumsfeld and the President have my support in the war against terror.

We ought to look at history and think in terms of other times the defense budget has been ramped up very quickly and the considerable amount of waste that accompanied it. The situation of the 1980s, when this last happened, obviously, was somewhat different from what the situation is today when we are in the midst of a war. Back then, we were in the cold war. There was some understanding we needed to do more, but in the process of not fighting a war and not having a demonstrated need that was as conclusive as this war on terrorism is now, there was an opportunity for waste.

I want to warn Secretary Rumsfeld about waste. Big budgets breed waste, and the Pentagon has shown a world class reputation for waste and mismanagement. It seems to be lurking in the shadows waiting for the Secretary

of Defense to open the money spigot. If he fails to keep a lid on waste, support for President Bush's defense buildup will evaporate quickly, particularly if there is a downturn in the war on terrorism where there is not quite as evident to the public at large of the need for the amount of money we are now appropriating when one might say the war is very active.

If this were to happen, the support for the defense buildup would evaporate and troops in the field would end up on the short end of the stick. If we do have this waste, this Senator will be on the Secretary's back.

A little piece of local history might help everyone in the Senate understand where I am coming from. Back in the early 1980s, at the height of the cold war, President Reagan launched a massive military buildup that was fiercely debated in the Senate for 3 or 4 years. I challenge my colleagues to understand this was a defining experience for me and it still shapes my thinking on defense. I was convinced almost from day 1 that President Reagan's defense Secretary, Cap Weinberger, was bent on throwing new sums of money at problems better solved by structural reform and real leadership. So joining a lot of my colleagues, we made an effort to stop it probably 2 or 3 years after we should have. As a conservative Republican, this was not easy for me to do but it was the right thing to do, and we should be prepared to watch how this money is spent in this ramp-up and be cognizant, watching for waste.

During this time in the early 1980s, I offered an amendment to freeze the defense budget. This was in the fiscal year 1986 budget resolution. My amendment was adopted May 2, 1985, by the slimmest of margins: 50 to 49. I think the Senate, by making that decision and through that act alone, threw a monkey wrench into the last big plan to ramp up the defense budget.

There was quite a case built for doing that at that particular time. Even though \$750 pliers, \$750 toilet seats, and \$7,000 coffee pots are not the reason for defense waste in its entirety, they are clear-cut examples that everybody understands.

Those examples helped make a case for the freezing of the defense budget. The spare parts horror stories were a turning point. They convinced many that the Pentagon defense buildup was a colossal taxpayer rip-off. It undermined the credibility of the planned defense buildup and it turned many into defense reformers, to watchdogging, digging into the waste, fraud, and abuse at the Pentagon.

I was at it that day, today, and I will be at it tomorrow. That is my warning to the people at the Defense Department, from Secretary Rumsfeld on down, and, in the process of spending more money, find a way to control waste.

Unfortunately, the Secretary has a major obstacle to overcome before getting waste under control. It is a simple

rule that you cannot begin to control waste until you know what things cost. You will never get a handle on the cost until the books of account are in order. Every shred of evidence I have examined over the years tells me that the books at the Defense Department are in shambles. The chief financial officer, Mr. Zakheim, knows exactly what I am talking about. I have had opportunities to discuss this with him.

The best barometer on the quality of bookkeeping at the Pentagon is the annual audit of financial statements. The results are dismal. There is over \$150 billion in financial actions for which there is no supporting documentation. Those are accumulative, over some years.

Criminals, quite frankly, could be tapping into the money pipeline at the Department of Defense. People there would never know it. During Secretary Rumsfeld's nomination hearing last year, he was grilled by the senior Senator from West Virginia about the very same problem. As a result of that exchange, Senator BYRD and I cosponsored a financial oversight initiative, section 1009 of the fiscal year 2002 Defense authorization bill.

Having accurate financial information at your fingertips is a key to controlling waste. And to do it right now, we don't have that tool. The Defense Department needs to get it. I believe they are working on getting it. I believe I can speak for Senator BYRD and for myself that we want to help the Defense Department get there. The Secretary has his work cut out. For starters, he is going to need a junkyard dog. Now that there is an inspector general in place, I believe that will help. With the Pentagon's money spigot wide open—once again in a way that nobody at this point is going to raise any questions because you only go to war to win a war or else you do not have any business going to war—the new inspector general has to be operating on a high state of alert.

A 3-year oversight investigation of the office of the inspector general tells me that is not the case today. That office has serious management problems. The new inspector general will need to clean house. We are obviously asking the Secretary to control waste, do it by cleaning up the books, get a handle on costs, and do not fritter away a golden opportunity to rebuild the Armed Forces.

Waste is a constant danger at the Pentagon. When we send military personnel into harm's way, we should all be confident they have what they need to get the job done. If we allow waste to spin out of control, our troops on the front lines will be the first to suffer; we will be back making the same cases as we did in the mid-1980s.

I believe there is some reason to think this Secretary of Defense, Mr. Rumsfeld, sees a need to overcome these problems more so than a lot of his predecessors. There are two reasons I say that. No. 1, 2 or 3 weeks ago I was

able to speak to a House committee on the sloppiness of how credit cards are handled by Department of Defense personnel and the tremendous waste of taxpayer money by the purchase of personal items on a card that says "for official government business only." Within 2 days of those remarks, the Secretary of Defense told the comptroller of the Defense Department to get this matter under control. There has been put in place immediately a task force to accomplish that goal. I publicly thank Secretary Rumsfeld for responding as he has in that particular instance.

Last, I refer to a speech that Secretary Rumsfeld gave on September 10, 1 day before the infamous day of September 11. It seems to me, without anticipating the terror that was going to be brought against America with that dastardly act of September 11, he recognized in this speech the importance of being on top of the taxpayers' dollars as spent on defense.

I read from his speech delivered on September 10:

Every dollar squandered on waste is one denied to the warfighters. That's why we're here today challenging us all to wage an all-out campaign to shift Pentagon resources from bureaucracy to the battle field, from tail to tooth.

We know the adversary. We know the threat. And with the same firmness of purpose that any effort against a determined adversary demands, we must get at it and stay at it.

Some might ask, how in the world could the Secretary of Defense attack the Pentagon in front of its people? To them I reply, I have no desire to attack the Pentagon; I want to liberate it. We need to save it from itself.

The men and women in this department, civilian and military, are our allies, not our enemies. They, too, are fed up with bureaucracy. They, too, live with frustrations. I hear it every day. And I'll bet a dollar to a dime they, too, want to fix it. In fact, I bet that they even know how to fix it, and if asked, will get about the task of fixing it. And I'm asking.

I say parenthetically, I think what the Secretary of Defense did 2 weeks ago, in getting the comptroller on that credit card situation in the Department of Defense, is an example of his willingness to ask and hopefully get it done.

Continuing to quote:

They know the taxpayers deserve better. Every dollar we spend was entrusted to us by a taxpayer who earned it by creating something of value with sweat and skill—a cashier in Chicago, a waitress in San Francisco. An average American family works an entire year to generate \$6,000 in income taxes. Here we spill many times that amount every hour by duplication and inattention.

Then in the last paragraph I am going to quote he says:

That's wrong. It's wrong because national defense depends upon public trust, and trust, in turn, hinges on respect for the hard-working people of America and the tax dollars they earn. We need to protect them and their efforts.

There is a lot more from this speech that Secretary Rumsfeld gave back on

September 10 to employees of the Defense Department. But these few paragraphs, I hope, will give you hope, as they give me hope, that Secretary Rumsfeld will get on top of the situation at the Defense Department, an environment that encourages waste of the taxpayers' money, and will see through the process of financial management reform and all that will do for controlling the waste.

I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. JEFFORDS). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

NATIONAL LABORATORIES PARTNERSHIP IMPROVEMENT ACT OF 2001—Continued

Mr. REID. Mr. President, I ask unanimous consent that we proceed, once again, to the energy bill and the Feinstein amendment, and the Reid second-degree amendment be pending.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 3079

Mr. REID. Mr. President, I commend the senior Senator from California for her amendment and her work on this very difficult issue of derivatives regulation.

To critics of the amendment, I suggest you put yourselves in Senator FEINSTEIN's shoes. She represents the largest State in the United States, whose gross domestic product is larger than most countries of the world. In fact, I understand that it has about the seventh largest gross domestic product of any entity in the world.

Last year's energy crisis threatened California's prosperity and brought home to all of us that we are in uncharted territory with energy deregulation. We felt the same problems in Nevada.

The collapse of Enron, a supposed leader in energy trading and markets, makes me wonder: How can we have a company such as Enron in this country, a publicly owned company, that changes in 1 year from a high flying, worldwide megacompany to a bankrupt loser with hundreds, if not thousands, of ruined lives in its wake? We have many congressional committees and prosecutors looking for the answers to that question, and many other questions.

We owe Senator FEINSTEIN a debt of gratitude for her interest in this issue and her work in proposing changes to the Commodity Exchange Act that will ensure that trading in energy derivatives is done in the open, with transparency, in a way that inspires public confidence in the markets.

My amendment is necessary to restore metals derivatives trading to ex-

empt commodity status. Senator FEINSTEIN's amendment inadvertently included metals derivatives with the energy derivatives that are the intended target of her amendment. Like other derivatives, metals derivatives markets help companies manage the risk of sudden and large price changes.

In recent years, derivatives and other so-called hedging transactions have helped the mining companies in my State cope with a steadily declining gold price by selling mining production forward. The last couple of years illustrate the function and the value in the marketplace of these transactions.

Some companies decided not to hedge, betting that the gold price would rise and that hedging contracts would lock them into below-market prices. Most of those companies are no longer around because the gold price stayed relatively low.

In contrast, other companies hedged some or most of their production. These companies have survived, and survived well, and some have even thrived. By choosing to manage their risk, they accepted the risk that the gold price could rise, but they stabilized company performance, continued to provide jobs, and continued to contribute to the communities in Nevada where they are so important.

Unlike energy derivatives, which raise questions because of the recent energy crisis, metals derivatives have been traded over the counter for many years. The 2000 amendments to the Commodity Exchange Act did not change this; they only clarified and confirmed the legality of these markets. Lumping metals derivatives together with energy derivatives would impose regulatory burdens that have never existed, even before the 2000 amendments, without any justification.

The amendment I have offered would not allow metals derivatives markets and participants to trade derivatives without accountability and transparency.

The Commodity Exchange Act already requires adequate recordkeeping for these otherwise "exempt" transactions. This amendment adds additional recordkeeping requirements for exempt commodities that are comparable to those already in the Feinstein amendment for energy commodities.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Mr. President, it is my understanding that we are now on the Feinstein amendment and the second-degree amendment offered by the Senator from Nevada.