

their part-time status and their dependence on management for information, the role of the independent directors, perhaps even more than the role of accountants or those of brokers, needs more scrutiny.

In our recent report on the role of the Enron board of directors in the corporation's failure, the Permanent Subcommittee on Investigations found that the board ignored countless warning signs of wrongdoing. In some cases, the board actually approved highly irregular, off-the-books partnerships that masked the company's true liabilities. The board's audit committee failed miserably to ensure the independence of the company's auditor, allowing Andersen to provide internal audit and consulting services while at the same time serving as Enron's outside auditor. In other words, in some ways, Andersen was auditing itself.

Finally, directors blessed financial deals that created conflicts of interest for the top executives of Enron Corporation. Such conflicts of interest are rotting the pillars supporting an essential element of capitalism, and that is the ability of investors to rely on those to whom they entrust their money.

Excising that rot requires two steps. First, we must redefine the roles of the accountant, the broker, and the board member. We must make it absolutely clear that their undiluted responsibility is to the investor.

Second, we must enforce those obligations with tough sanctions, such as those we approved yesterday, that will deter those who would breach these fiduciary duties. This leads logically to the role of the Government regulator. I do not see regulation replacing the fiduciary roles I have described for the simple reason that having Government verify every number in every financial statement would create a nation of regulators. The more effective role for the regulator is to make certain that others honor their obligations and to take swift and meaningful action when they do not.

I know from personal experience as a regulator in Maine that this is no easy task, and it is our responsibility to ensure that the regulators who carry it out have the necessary authority and the financial resources to do the job.

I am pleased the bill before us today incorporates provisions from legislation that I have introduced that will allow the Securities and Exchange Commission to discipline those brokers and investment advisers who have been barred by State regulators from operating within that State. As a result, the SEC will have the option of giving nationwide effect to the bans imposed by individual States, thus protecting citizens nationwide from dishonest or unethical brokers without having to undertake separate investigations. This is especially important because as we learned in my subcommittee's hearings on fraud in the microcap stock market, it is very easy for small-time crooks to move out of one State and

into another, setting up shop and defrauding investors all over again.

The reforms needed to restore trust in our capital markets will require tough, effective action by government and self-regulatory organizations. I call on our Nation's business schools to examine the ethical and professional training they provide to corporate managers, accountants, brokers, and board members. The concept of a free market is one that is free from government direction but not free from the duty to act ethically, honestly, and competently. If our corporate leaders lack integrity, no amount of regulation will preserve our economy. How effectively we are conveying this message strikes me as well within the unique expertise of those running our business schools and training our future corporate leaders.

Congress, the SEC, State regulators, the exchanges, and perhaps even our educational institutions can help solve our current problem. Nowhere is the obligation to act greater than on Wall Street and in our corporate boardrooms. The American people are justifiably outraged by the breakdown in corporate ethics. This is not thievery by those lacking the resources to buy food and medicine, this is thievery by those with the resources to buy Picasos and Porsches. As a people, we do not begrudge others who earn their success, but we will not tolerate those whose success rests on breaching ethical and legal obligations.

We must also recognize that although not often mentioned, this problem has ramifications for our standing in the world community at a time when others are waging war on the American system. Our most successful exports since the end of World War II have been our political democracy and our free markets. Indeed, as China demonstrates, our economic views have prevailed even when our political ideals have yet to take root. Having persuaded the rest of the world of the vitality and the creativity of free markets, it would be tragic if we lost our way just when our economic values are gaining widespread acceptance.

A particularly ironic aspect of the current situation and one that would have Marx and Lenin spinning in their graves: Russia is taking steps to strengthen its system of corporate governance at a time when ours appears to be crumbling. While we need not worry that Moscow will replace New York as the world's financial center, it is not unreasonable to be concerned about how other nations judge our response to our current problems. Indeed, the rise in the euro and the drop of the dollar are disconcerting indications of their view to date. This is just one more reason we must act swiftly to put our house in order.

Recent corporate misdeeds have caused great harm, costing our economy and our shareholders billions of dollars and many people their retirement savings as well as their jobs. The

impact on investor-employees who have lost both their jobs and their retirement savings has been especially cruel, and those responsible have forgotten that, because capitalism can survive only if people believe they can trust strangers with their money. Honesty and fair dealing are the lifeblood of our economic system.

It would also be unfair to paint with too broad a brush. We should take care not to condemn the many executives who do honor their obligations to their employees and their shareholders. Indeed, it is partly for their benefit as well as for the benefit of all Americans that we must restore confidence in our corporate sector.

In 1997, in my first statement on the floor of the Senate, I quoted the following observation from Winston Churchill: "Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few see it as a sturdy horse pulling the wagon."

I added that I do see private enterprise as that sturdy horse, and in the wagon it is pulling are the jobs of our constituents. I continue to hold that view. But we must recognize that the wagon has some loose wheels. It is our responsibility to the American people to make sure they are tightened and to institute the reforms that are needed to restore faith in corporate America.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Nebraska.

AFGHANISTAN FREEDOM SUPPORT ACT OF 2002

Mr. HAGEL. Madam President, this week I introduced the Afghanistan Freedom Support Act of 2002, S. 2712. I am pleased to be joined in this effort by the senior Senator from North Carolina, Mr. HELMS, the former chairman of the Foreign Affairs Committee in the Senate. I ask unanimous consent his name be added to this bill as an original cosponsor.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. HAGEL. This legislation is similar to H.R. 3994, sponsored by the chairman of the House International Relations Committee, Congressman HYDE. This bill was passed in the House of Representatives on May 16 by a vote of 390 to 22.

The Afghan Freedom Support Act commits the United States to the democratic and economic development of Afghanistan. In addition to the economic and political assistance found in title I of this legislation, title II seeks to enhance the stability and security of Afghanistan in the region by authorizing military assistance to the Afghan Government and to certain other countries in the region, including assistance for counternarcotics, crime control, and police training.

The United States must stay closely and actively engaged in helping Afghanistan through a very dangerous

and difficult transition to stability, security, and, ultimately, to a democratic government. We are at the beginning of a long process. We cannot be distracted or deterred from this objective. Our credibility, our word, and our security, are directly linked to success in Afghanistan. And there cannot be political stability and economic development in Afghanistan without security.

My legislation, and the companion legislation passed by the House, would authorize \$1.15 billion over 4 years for economic and democratic development assistance for Afghanistan, as well as up to \$300 million in drawdown authority for military and other security assistance. The main elements of my legislation are as follows:

It authorizes continued efforts to address the humanitarian crisis in Afghanistan and among Afghan refugees in neighboring countries; it authorizes resources to help the Afghan government fight the production and flow of illicit narcotics; it assists efforts to achieve a broad-based, multi-ethnic, gender-sensitive, and fully representative government in Afghanistan; it supports strengthening the capabilities of the Afghan government to develop projects and programs that meet the needs of the Afghan people; it supports the reconstruction of Afghanistan through creating jobs, clearing landmines, and rebuilding the agriculture sector, the health care system, and the educational system of Afghanistan; and it provides specific resources to the Ministry for Women's Affairs of Afghanistan to carry out its responsibilities for legal advocacy, education, vocational training, and women's health programs.

This legislation also strongly urges the President to designate within the State Department an ambassadorial-level coordinator to oversee and implement these programs and to advance United States interests in Afghanistan, including coordination with other countries and international organizations with respect to assistance to Afghanistan. In general, the Afghanistan Freedom Support Act provides a constructive, strategic framework for our Afghan policy, and flexible authority for the President to implement it. We must not allow this fragile interim Afghan government to unwind. We must put forward the appropriate investment of men, effort, and resources to complete the objective of a democratic government in Afghanistan.

If Afghanistan goes backward, this will be a defeat for our war on terrorism, for the people desiring freedom in Afghanistan and in central Asia, for America, symbolically, in this region, and for the world. It would be disastrous for our country because it would crack the confidence that people all over the world have in the United States. Afghanistan is the first battle in our war on terrorism. We must not fail.

Mr. President, I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CLELAND). The clerk will call the roll. The legislative clerk proceeded to call the roll.

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

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

The Senator from Michigan.

ORDER OF PROCEDURE

Ms. STABENOW. Mr. President, I yield myself 6 minutes this morning to speak, and then I ask that the distinguished Senator from Georgia, Mr. CLELAND, be yielded 6 minutes; additionally, the senior Senator from North Dakota, Mr. DORGAN, be yielded 6 minutes; and 6 minutes also to the Senator from Florida, Mr. GRAHAM; and an additional 6 minutes to the distinguished junior Senator from Georgia, Mr. MILLER.

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

PRESCRIPTION DRUGS

Ms. STABENOW. Mr. President, next week we begin one of the most important debates that we will have, I believe, as a Senate, throughout this session and possibly for years to come. That is a debate about whether or not we are going to meet two goals that the American people have been asking us to address. The first is a Medicare prescription drug benefit for our seniors, for those who have disabilities—a comprehensive Medicare prescription drug benefit. Second, we want to lower prices—lower prices for everyone.

We know in fact not only do seniors, who use the majority of prescriptions, have high prices, but everyone who has prescription drugs does. If you are paying through insurance, you are paying higher insurance rates. If you are a businessperson, you are seeing your health care premiums rising. Small businesses—many in Michigan come to me and talk about 30-percent, 35-percent, 40-percent increases. The big three automakers are juggling between being able to afford new materials for their automobiles and research and all the other costs that they have, versus health care, most of which is prescription drug increases. So everyone is paying.

We have two goals. We as Democrats are working very hard, and we invite our colleague to join with us, to provide real coverage for prescription drugs and lower prices for everyone.

It is incredibly important that we do that. I am concerned, as we move into this debate, given what was done in the House of Representatives and the efforts now on the airwaves by the organization funded by the pharmaceutical companies that are talking about how what was passed in the House was good enough, I am concerned that we really do what is necessary and not just what is in the interests of the drug companies.

The drug companies are here in force every single day. We know next week and the week after, as long as we debate issues of lower prices and real Medicare coverage, they will be here fighting everything—unfortunately. They do wonderful work in research and development. I am so pleased that we have so many that are out there doing good work. But we see, as an industry now, their efforts to fight everything.

We are talking about corporate responsibility this week on the floor of the Senate, the need for corporate accountability. We need corporate accountability and ethics in the drug industry as well. I am deeply concerned that we do not see efforts to work with us for something that provides reasonable profit. We want them to succeed, but we do not want to continue to see exorbitant price increases and profits on the backs of our seniors, those with disabilities, our families, our small businesses.

I am deeply concerned about what we were reading in the paper during the House debate. Our Republican colleagues, in fact a senior House GOP leadership aid said yesterday:

Republicans are working hard behind the scenes on behalf of PhRMA [which is the drug industry lobby] to make sure that the party's prescription drug plan for the elderly suits drug companies.

This was in the Washington Post, June 19 of this year. They are:

... working hard behind the scenes to make sure that their ... plan ... suits the drug companies.

I hope next week we will work just as hard in this body for a prescription drug plan that suits the American people.

I am so pleased to see my distinguished colleagues from Georgia here, one in the chair and the junior Senator who came into the Senate with me, who is one of the lead sponsors of the bill that we have in front of us along with the Senator from Florida, Mr. GRAHAM.

We have a plan. We have a plan that works, that pays the majority of the bills, that does the job, that brings together the collective buying power of 39 million seniors, and which will require that prices be lowered. We have the plan. Our plan is not the plan of the drug companies. It is not the plan which drug companies are advertising about—the pretty ads from Seniors United that are on the air from the drug company, the front senior group that thanks the Republican colleagues in the House for voting for their plan, the plan that supports the drug companies.

We have a plan for the American people.

I would like to share for a moment two stories from the Web site which I set up. I set up the Prescription Drug People's Lobby. There are six drug company lobbyists for every one Member of the Senate. I invited the people of Michigan to join with me to be part