

He wants \$196 billion in emergency funding—none of it paid for. He says: This is my priority. If you do not support it, you do not support the troops. We do not intend to pay for it. It is called an emergency.

At the same time, he has made another request of Congress. He has said: The budget I sent to you is a budget locked in stone, and if you do not meet those numbers, if you are over those numbers on anything, I intend to veto the bills.

Eight to ten appropriations bills he has threatened to veto. We are \$22 billion over the President's numbers in his budget for investment here at home. I am talking about the things that improve roads, do the water projects that are necessary, build infrastructure, invest in health, and invest in education. We are \$22 billion over the President's budget request.

The President says: I will have none of that. The money we are spending to invest in things here at home, we will not compromise on that. I will veto all of those bills. So I am going to be a fiscally responsible President on \$22 billion with respect to investments in this country, and then I demand \$196 billion from you in Congress, on an emergency basis. None of it paid for. All of it borrowed in order to prosecute the war.

By the way, that \$196 billion is not all to support the troops. A substantial part of it is for contractors. I have been on the floor talking about the greatest waste, fraud, and abuse in the history of this country with contractors in Iraq and Afghanistan. We have been stolen blind by contractors.

One short story: This country says that we will commit to building 144 health clinics in Iraq. So our Government hires a contractor to go build health clinics in Iraq. The money is all gone. Over \$200 million of the money is gone, but the health clinics do not exist. Out of over 200 health clinics, there are only 20 in operation.

An Iraqi doctor came to see me and testified at a policy committee hearing. He said: I went to the health minister of Iraq to find out where these health clinics were because I knew the American taxpayer spent the money for them. The contractor got the money to build them, and I wanted to go see these health clinics and tour them to find out what has been done. The Iraqi health minister said: You don't understand. Most of these are imaginary clinics. They have never been built.

Well, the money is gone. The contractor got the money. The American taxpayer got fleeced. The President wants more money, an additional \$196 billion. He says: If I don't get it, then you don't support the troops. Then he says: By the way, I don't support the extra \$22 billion to invest in health care, to invest in energy, to invest in water projects, to invest in roads, or to invest in this country.

I say to the President, it is time, long past the time, to start taking care

of things in this country. I have a list on my desk of water projects that we are doing in Iraq costing hundreds and hundreds of millions of dollars. I have the specific names of the water projects which we are building in Iraq. The President also says he wants over a half a billion dollars less in funding than the Congress is recommending for the Corps of Engineers to build water projects in this country. This is funding to repair dams, to do dredging, and to do the things we need to do to fix water projects in this country.

Why such a reluctance to invest here at home? I do not understand it. But why the contradiction? The President wants to spend \$196 billion—without paying for any of it—and then crow to the east that somehow he is a fiscal conservative because he is opposed to \$22 billion spent here at home.

Now in the next several weeks, we are going to have to reconcile this, and I hope, in one way or another, this President will be able to try to find out what his true identity is. It certainly is not a fiscal conservative. That is talk. Talk is cheap.

Look at what he is asking for: \$196 billion to be added to the debt. None of it paid for. All of it borrowed. Then he says that he is opposed to \$22 billion to invest here at home.

That is not fiscal conservatism. That is ignoring needs here in this country and spending money in a profligate way, especially on contractors which are fleecing the American people in my judgement. I hope we can reach an agreement on meeting our appropriations needs. That is what we need to do. This place works and this democracy works by agreement and compromise with people of good will.

EXCESSIVE MARKET SPECULATION

Mr. DORGAN. Mr. President, I mention that because I want to talk about two areas of speculation that bother me a lot, both of which relate not to the financial issues of this fiscal policy coming from President Bush, but it relates to the issue of whether you believe Government has a role in proper regulation in certain areas.

The price of a barrel of oil today is trading at \$94 a barrel. It has been flirting with \$100 a barrel. The price of oil has been going up, up, up in the last year. Well, it is interesting when you take a look at what is happening with oil prices. Take a look at supply and demand factors and ask yourself if the fundamentals with respect to oil supply and demand justify \$100 a barrel of oil? The answer is no.

Let me read to you something from a fellow, Fadel Gheit, who works for Oppenheimer & Sons. Here is what the energy analyst for Oppenheimer & Sons said last week. He said:

There is absolutely no shortage of oil. . . . I'm absolutely convinced that oil prices shouldn't be a dime above \$55 a barrel. . . . Oil speculators include ‘the largest financial

institutions in the world.’ ‘Call it the world's largest gambling hall. . . . It's open 24/7. . . . Unfortunately, it's totally unregulated. . . . This is like a highway with no cops and no speed limit, and everybody's going 120 miles per hour.’

Let me tell you what is happening with the price of oil. This is an oil analyst from Oppenheimer & Sons saying that there is no justification for oil being a dime over \$55 a barrel. We have hedge funds in the futures market buying oil. We have investment banks in the futures market. We have investment banks building facilities to store oil. Now, why are investment banks building facilities to store oil? It is because they believe oil will be more valuable in the future. If they buy it and store it, then they will make money in the future.

So instead of a futures market that works with respect to the fundamentals of the supply and demand of oil, we have a carnival of greed in the futures market, in my judgment. We have investment banks hip deep, we have hedge funds hip deep in this, and we have all kinds of things that are going on that are driving up the price of oil.

Who are the victims? The people filling up at the gas pumps have to pay this price that, in my judgment, is unsupported by the fundamentals of supply and demand.

What is the circumstance here? Well, the circumstance, like most things, is we do not have the capability to regulate very effectively.

Let me tell you this story, if I might, about a 32-year-old trader at a giant hedge fund, and I did not mention that hedge funds are in these markets as well, in a very big way. A 32-year-old trader at a hedge fund named Amaranth held sway over the price the country paid for natural gas a year or so ago. Let me tell you what he did. He helped lead to the collapse of an \$8 billion hedge fund named Amaranth. This comes from the Washington Post:

His positions were so big that he could cause the price to move in the way he wanted by buying or selling massive amounts of his holdings in the last 30 minutes of trading on NYMEX, a move known as ‘smashing the close,’ federal regulators say.

At one point, in the summer of 2006, Mr. Hunter, the 32-year-old trader, controlled up to 70 percent of the natural gas commodities on the New York Mercantile Exchange (NYMEX) that were scheduled to supply companies and homes in November of last year and more than 40 percent of contracts for the entire winter season.

Now, this relates to the question of a piece of legislation that is entitled ‘Close the Enron Loophole’ Act that Senator LEVIN and I have introduced. The fact is, in these energy futures, some of them are on regulated exchanges, but many of them are not. The Commodity Futures Trading Commission does not have the capability to see exactly what is happening in these futures contracts and in these over-the-counter or unrelated areas. We need, in my judgment, to pass legislation to try to stop this rampant speculation of unregulated trading.

There needs to be a futures market. A futures market is very important to provide liquidity. But when a futures market becomes a gambling hall, and you start with investment banks and hedge funds, and all of these activities that have very little to do with the fundamentals of supply and demand, then there are very serious problems that must be addressed.

Now, it could likely be the case that the price of oil will come down in a precipitous way as well. It does not seem that way at the moment. But it could because, clearly, this is a speculative bubble. In my judgment, the price is not justified by the fundamentals of supply and demand. Are we going to have a tightening of supplies in the future? Yes, I understand that. The Chinese want to drive 100 million more cars on their roads in the next 15 years. They are going to build these roads, they are going to drive on them. Is that going to increase demand? Sure it is.

Russia wants to capture more oil. I am told they would love to find ways to impede the opportunity of oil and energy supplies coming from the Caspian Sea to the West. Does that potentially impact the price of oil? Sure it does.

But the fact is this: At least at the moment, with the price of oil on the futures market, we have a situation in which the trading, in many cases, is completely unregulated and not transparent. We need to change that. There needs to be some regulation. This administration does not believe that. They have never believed in regulation. We understand what happened with respect to the crash of Enron and the bilking of tens of billions of dollars from consumers on the West Coast. Enron, in many ways, was a criminal enterprise, and there are people now in jail as a result of it. The regulators sat on their hands, dead from the neck up, believing: No, no, no, no, this is the market working. It was not the market working. It was criminal activity, and people were hurt, a lot of them.

With respect to the oil futures market, there needs to be effective regulation. I am not alleging illegal activity here. I am saying, however, it is not healthy to have an amount of speculation in that market that is far beyond anything that would be reasonable, given the supply and demand of oil.

I have one additional topic I want to cover, but the majority leader is on the floor. I would be happy to yield to him.

HOME MORTGAGES

Mr. DORGAN. Mr. President, let me continue to talk about one other area of speculation because speculation with respect to the futures market in oil is causing significant problems. Speculation with respect to mortgage lending in the subprime mortgage scandal has been unbelievable as well, and it is causing havoc, as we know. People are getting fired; companies are declaring

billions of dollars of losses; and the American people are injured as a result of it. The economy will not grow as fast as a result of it. Let me describe to you what I have learned about this issue. It is stunning because I did not know it. You get up in the morning, brush your teeth, shave, and watch television where you see these ads on television. I never thought much about them. I always thought they were a little goofy. They say: Do you have bad credit? Have you filed for bankruptcy? You can't pay your bills? You have bad marks on your credit rating? Come see us. We will give you some credit.

We have all seen those adds. You think to yourself: Well, how can that work? The fact is, it does not work and cannot work. So what used to be a sleepy little industry getting home loans became something like a Roman candle with powder and a lot of flash. All of a sudden these companies became very fancy companies. I will mention one, Countrywide, the largest home mortgage lender. Here is what I have discovered as I began to look at what they did. They said: You know something. We will give you a deal on a home mortgage. You have a broker selling you a home mortgage getting big fees. We will give you a deal on a home mortgage, an adjustable rate mortgage (ARM). By the way, we have a mortgage, an ARM, in which you don't have to pay any principal and interest only, and you can pay the principal later. We have a better mortgage than that. We have one in which you don't have to pay any principal, and you pay the interest later or principal later. You don't even have to pay the full interest at this point. We can add the interest you are not paying and the principal later to the loan or loans with a 2-percent interest rate.

So they disclose a monthly payment and people say: Man, that is something. That is a low house payment. They don't understand, of course, in two or three years it is going to reset, and it will reset at triple or quadruple the rate. In many cases, they didn't even quote the escrow they were going to be required to pay. So all of a sudden in two or three years the interest rate is going to reset, and they don't have a ghost of a chance of paying the mortgage.

This is all about greed, by the way—big brokers, big companies, mortgage companies that are fundamentally unsound. It reminds me of the days when they used to put sawdust in sausages, sawdust for fillers. People found out about it, and they were aghast.

Here is what they did with these mortgages. They are out there selling bad mortgages, interest only and even less than interest only, subprime, selling mortgages to people who aren't going to have a ghost of a chance of making the payments. They are out there selling mortgages—not just Countrywide but others as well—which are advertising: Come to us if you have bad credit. We want to help you. We

want to give you a loan. They sell these mortgages, and then they package them up, similar to a piece of sausage. They put subprime loans, bad loans in with securities. They package them up, and they sell them. Pretty soon a hedge fund, an investment bank, or somebody else buys them, and now they have a piece of sausage with sawdust that is called a security, which includes bad home mortgages. They don't even know it. Then, all of a sudden, it goes belly up because people can't pay their mortgages.

Now, I am thinking to myself, where has common sense gone? What has happened to basic common sense? Those brokers are selling the loans and making big commissions. Those companies were writing the loans making big money and putting in prepayment penalties so they can lock people into bad loans. Those people, the investors who are buying the loans, and, yes, in some cases, those who were taking out the loans because they should have known better, where has common sense gone? It is rampant speculation.

One more point. It relates to what I talked about with respect to oil futures, and it is the total lack of regulatory oversight. Don't look. Don't worry. It will all be fine. Well, it is not fine. These kinds of activities have an unbelievably tough effect on this country's economy and on people. Millions of people will lose their homes. We have a lot of work to do, but I wished to make this point: There is a need to have effective regulatory oversight. This administration has never believed in it. We saw the consequences of it with the Enron Corporation. We now see the consequences with respect to oil and natural gas futures trading and its impact on the price of oil and natural gas. We see the consequences of it with respect to what has happened with subprime lending. If this doesn't convince this administration and future administrations that you have to have effective regulation, then I don't know what does. Companies need someone looking over their shoulders to make sure we don't have this carnival of greed take over. You have to have effective regulation. Working in this Congress, many of us are trying to put this back together to see if we can't get back to some sound common sense, some business sense, in terms of working in these areas.

I wanted to at least start today by talking about the contradiction of what the President is asking of us and what the President is demanding of the Congress in a way that is completely contradictory to sound fiscal policy. I further wanted to talk about a couple of areas of speculation that both relate to lack of oversight. We need to fix these. We can do it, but we need to fix it and soon.

I appreciate the patience of the majority leader.

I yield the floor.

Mr. REID. Mr. President, has morning business expired?