

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

ECONOMIC AID TO THE AUTOMOBILE INDUSTRY

Mr. SPECTER. Mr. President, I have sought recognition to comment on two issues relating to our current economic problems which are so widespread in our country. One is the proposed economic aid to the automobile manufacturers and the second is the proposed assistance to people who are threatened with foreclosure.

The suggestion has been made that there should be very substantial Federal economic aid to the automobile manufacturers, focusing at the moment on General Motors. I am prepared to consider that issue providing we have a factual and evidentiary basis which would warrant such economic aid, with an analysis of the current financial situation of General Motors, with an analysis of what the proposals are to assist General Motors in a way which would be realistically calculated to keep General Motors in operation, and with an evidentiary base to show that there is not some preferable alternative with respect to letting the market take its course.

It seems to me indispensable that if Congress is to undertake that kind of analysis that there is going to have to be regular order followed as to how we legislate in this body. And that was not done on the recent \$700 billion proposal which was passed by the Congress last month. Our regular order requires that there be a legislative proposal, a bill written down which can be read, studied, and analyzed. After there is a bill, to have hearings with the appropriate committee and to hear proponents of the plan and to hear opponents of the plan and then to have in regular order a committee markup where the members of the committee sit down—in this case the Banking Committee, which has jurisdiction—look over the bill and then mark it up—that is goes over the bill line by line. Then a report is written. The report comes to the full membership, the Senate has debate, amendments may be offered, and then the Senate works its will on passing a bill, if the Senate chooses to do so.

A similar proceeding occurs in the House of Representatives, and then there is a conference with Members of the two bodies coming together for a presentation to the President, who then has ideas maybe involved in the legislative process, and he signs or vetoes.

Regrettably, that was not done during the passage of the \$700 billion economic aid proposal, and it was not done, I submit, much to the disadvantage of the country. When this issue was under consideration, I wrote to the majority leader and the Republican

leader by a letter dated September 21 urging that we not rush to judgment; saying that we ought to follow regular order in the way we handle this matter.

Mr. President, I ask unanimous consent to have inserted in the RECORD a copy of this letter following my remarks.

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

(See exhibit 1.)

Mr. SPECTER. On September 23, I wrote to Secretary of the Treasury Paulson and the Chairman of the Federal Reserve Ben Bernanke raising quite a number of issues looking to what the merits of the proposal were. On September 27, I wrote again to Secretary Paulson, Chairman Bernanke, also again to the leaders of the House and Senate, and also to the key members of the committee raising a series of questions. I have yet to receive an answer to any of these letters.

On September 29, I was informed that we would have a session after the House of Representatives defeated the proposal, which was a surprise; that there would be a session on Wednesday, October 1, at 7:30 in the evening, and the Senate was then confronted with a proposition to either take it or leave it. No amendments could be offered. By this time, the original proposal had expanded from 4 pages, which Secretary Paulson had initially submitted, and it had expanded to more than 100 pages, then to more than 400 pages. It was unknown generally that there was a good bit in the legislative proposal of what we refer to as grants or pork, which turned out to be very, very embarrassing. But faced with that kind of an emergency situation, my vote was cast in the affirmative.

The vote was 474 to 25, a very heavy margin in support of the legislation, and it was a rush to judgment, without following regular order and without considering so many of the critical issues which should have been taken up in the regular course of Senate business.

I traveled my State during the course of the month of October, as it is my custom to touch each of Pennsylvania's 67 counties each year, and the number one item on the agenda was the \$700 billion economic aid program. And candidly, the temperature of my constituents was boiling—212 degrees Fahrenheit—and the thermometer was broken. I see the distinguished Senator from Maryland, Senator MIKULSKI, nodding in the affirmative that that was the situation in her State as well. Now we are asked to have economic aid for General Motors. There has been a figure of some \$25 billion which is talked about. I am prepared to consider that, but only if there is an understanding of what are the facts, what is the evidence; is there a factual and evidentiary base for Congress to do this?

I am told informally that it takes \$11 to \$14 billion in cash to operate General Motors.

But they now have \$16.2 billion. They have \$50 billion in bonds that are perhaps worth in the range of \$20 billion or a little more in the market that yield 9 percent in interest. On the market value, that would put their borrowing somewhere over 20 percent. The question comes to my mind: Isn't that expensive? Couldn't that be modified? But I have yet to see any semblance of a plan for General Motors to become viable. What are the prospects?

General Motors and the automobile industry generally—the industry has been on notice for a long time that they were in a very difficult competitive situation; that the standards on gas mileage were about to be imposed and were imposed in legislation last year. What have they done?

We have been told it is not advisable to consider chapter 11 proceedings under bankruptcy. But we know that Continental and U.S. Air have gone through that.

We are told that the warranties would not be sustainable and that people would lose confidence. There may be ways to address that kind of issue with a fund set up for warranties to be funded.

All of these are questions which, it seems to me, need to be answered. When we were informed through a variety of sources that we would be in a lame duck session starting today, there was a projection for a Senate vote on Wednesday. I wrote to Senator REID and Senator MCCONNELL, a letter very similar to the one I wrote on September 21, urging that we not rush to judgment and asking that there be consideration of a great many of these issues if we were to make some sensible determination as to financial aid to the automobile industry. I sent copies of this letter, again, to Treasury Secretary Paulson and to Federal Reserve Chairman Bernanke, and also to the chief executive officers of General Motors, Ford, and Chrysler.

I ask unanimous consent that copies of these letters be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC, September 23, 2008.

HENRY M. PAULSON, Jr.,
Secretary of the Treasury, Department of the Treasury, Washington, DC.

BEN S. BERNANKE,
Chairman of the Board of Governors, Federal Reserve System, Washington, DC.

DEAR SECRETARY PAULSON AND CHAIRMAN BERNANKE: I write to you because I am in the process of deciding how to vote on legislation to deal with the economic crisis. I agree that there is need for federal action; but I am concerned that we not rush to judgment without giving sufficient attention to the many complex issues which are involved.

At the outset, the, or a, precipitating cause was the fact that hundreds of thousands of people, perhaps as many as five million, faced an inability to make their mortgage payments and eviction from their homes. These mortgages were "securitized,"

divided up and sold in packages to many people or entities. As a result, it was not always clear who had the authority to adjust these mortgages, and when it was clear, adjustments were not made quickly enough. Last November, Senator Durbin introduced S. 2136 and I introduced S. 2133 to give the bankruptcy courts authority to revise homeowners' financial obligations. Keeping people in their homes should be a, if not the, fundamental object of congressional action.

After assisting homeowners, a decision should then be made as to what additional federal aid is necessary to unclog the lending pipelines and restore confidence and stabilize the economy. I am very skeptical about granting authority to spend \$700 billion on other aid without standards as to who should get the funds and a requirement that there be demonstrated necessity that such additional expenditures are indispensable to stabilizing the economy.

Then there is the question of oversight and regulation. Obviously, there must be oversight and some regulation to prevent a recurrence. As I see it, the regulation must be calibrated to those objectives and not go too far. Vigorous enforcement of our laws to prevent market manipulation, as well as added transparency, should be a priority.

I hear tremendous resentment from my constituents on this matter. In a free enterprise society, entrepreneurs may undertake whatever risks they choose to secure big profits, but when there are losses, they should not turn to the government for a bailout which puts the burden on the taxpayers. The firms/corporations and their executives who created the crisis should not profit from a federal bailout. If it is not already a part of your proposal, you should consider structuring the funding in a way that gives the Government a preferred creditor position and a share in ultimate profits, rather than simply buying up debt which has declined in value. And any aid should be conditioned on the elimination of golden parachutes or large compensation packages.

Also, I am concerned about reports that foreign corporations, with a United States affiliate, will participate in a federal bailout. If foreign corporations are to get funding, then foreign governments ought to bear their fair share.

I know there is concern that Congress must act promptly or the economy may deteriorate further. It seems to me that Wall Street should and would understand that legislation on this complex matter requires some time. If it is seen that Congress is moving as swiftly as practicable, that ought to stem the tide. But we can only do it as fast as realistic to work through the legislative proposals and resolve these intricate issues.

These are issues which come to my mind at the moment and I am sure there will be more as the hearings progress and the debate occurs. I would appreciate your responses as promptly as possible.

Sincerely,

ARLEN SPECTER.

U.S. SENATE,

Washington, DC, November 14, 2008.

Hon. HENRY PAULSON,
Secretary of the Treasury, Washington, DC.
Hon. BEN BERNANKE,
Chairman, Federal Reserve Board.

GENTLEMEN: With this letter, I am enclosing a copy of a letter which I am sending today to Senate Majority Leader Harry Reid and Republican Leader Mitch McConnell.

I would appreciate your views on the issues which I have raised in that letter. By letter dated September 23, 2008, I wrote to the two of you asking questions about the September

bailout proposal and have never received an answer.

Sincerely,

ARLEN SPECTER.

U.S. SENATE,

Washington, DC, November 14, 2008.

Hon. HARRY REID,
Majority Leader,
U.S. Senate.

Hon. MITCH MCCONNELL,
Republican Leader,
U.S. Senate.

DEAR HARRY AND MITCH: In considering what action, if any, to take on financial aid to General Motors and the other auto manufacturers, I urge that the Senate follow regular order and not rush to judgment.

By letter dated September 21, 2008 I wrote to you two leaders with the same recommendation on following regular order on the bailout plan then under consideration, and then Congress proceeded to act precipitously without appropriate consideration for all the complex issues involved. It is true that the Senate was faced with an emergency situation on October 1st when the Dow had plunged 777 points after the House of Representatives rejected the proposed legislation on September 29th. Senators were then faced with voting yes or no without having the customary hearings, committee markup, floor debate and an opportunity to offer amendments. As a result, the legislation was filled with pork since no one had an opportunity to strike it and the Congress endorsed a plan which had not been given appropriate consideration.

There are many complex questions which need to be answered before the Senate can even begin to make a preliminary assessment on aid to the auto manufacturers. We need to know the specifics on General Motors' financial situation. It is reported that GM has sufficient cash to keep it afloat for a substantial period of time so that immediate financial aid is not indispensable.

It has been further reported that General Motors has sufficient cash and liquidity to continue to operate if it was not for the servicing of the debt estimated to be about \$50 billion. That debt is said to have a market value perhaps as low as \$20 billion and currently calls for an interest rate of 9% annually so that General Motors is paying well over 20% on the realistic value of the bonds. Some readjustment on that debt and interest might alter significantly General Motors' need for federal aid.

We further need to know what are the realistic prospects that financial aid will solve the problem without having GM and the other automakers come back for more. The automakers have certainly had sufficient notice for years, if not decades, that they had to make major changes to become competitive and yet failed to do so. It was well known that at some point Congress would mandate mileage standards but the automakers did not act aggressively until faced with a congressional mandate. We have now approved \$25 billion in federal aid to assist in meeting mileage standards. Why couldn't there be a change in legislation to allow those funds to be made available faster and to broaden their use beyond retooling factories? It would be preferable from the taxpayer point of view to utilize funding already available in a more efficient manner, rather than devoting additional resources to this industry.

Beyond these surface questions, there needs to be a great deal of analysis through the hearing process of many other complex questions.

If the federal government had not bailed out Bear Stearns, AIG and passed the \$700 billion bailout, the auto-makers might not

now be asking for the same treatment. If the auto-makers are bailed out, it is a virtual certainty that Congress will next hear bailout requests from other sections of the economy. Insufficient consideration by the Treasury Department and the Federal Reserve followed by the rush to judgment by Congress on the \$700 billion has left my constituents perplexed about the competency of the federal government to respond rationally to the current problems. In a series of town meetings in October, I found the temperature of my constituents at 212 degrees Fahrenheit over the \$700 billion bailout legislation. In extensive discussions with economists, bankers and other financial experts, I have heard a virtually unanimous adverse reaction to bailing out General Motors and/or other automakers. My constituents are frustrated with the lack of transparency in doling out the \$700 billion and the change of course from purchasing "troubled assets" to one of injecting funds directly into banks. What assurances would we have that these funds for the auto industry would be spent wisely, and as intended by Congress? Isn't it wiser to let the market make those decisions?

I will be looking for answers to these and other questions when the Senate returns for the lame duck session next week. I voted for the bailout on October 1st because of the ominous prospect of a domino effect and its severe impact on our economy. I am prepared to give fair consideration to economic aid to General Motors and other automobile manufacturers because of the national interest including the many jobs at stake in Pennsylvania; but I am not prepared to vote for another massive bailout unless a solid case is made following regular Senate order with hearings, committee mark-up, floor debate and an opportunity to offer amendments.

I am sending a copy of this letter to Treasury Secretary Paulson and Federal Reserve Chairman Bernanke. When the September bailout was under consideration, I wrote to Mr. Paulson and Mr. Bernanke by letter dated September 23, 2008 raising a number of questions. I have yet to receive an answer to that letter. I would like the views of Mr. Paulson and Mr. Bernanke on the issues raised in this letter.

I am also sending copies of this letter to General Motors Chairman and CEO Rick Wagoner, Ford President and CEO Alan Mulally, and Chrysler Chairman and CEO Robert Nardelli with the request that they give me their views on the issues raised in this letter.

Sincerely,

ARLEN SPECTER.

The PRESIDING OFFICER. (Mr. WEBB). The Chair has been asked to note that the Senate is in a period of morning business, with comments limited to 10 minutes. The Senator from Pennsylvania has spoken for 11 minutes and the senior Senator from Maryland is on the floor.

Mr. SPECTER. Mr. President, I ask unanimous consent to continue for 5 more minutes.

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

Mr. SPECTER. I thank my colleague from Maryland.

Mr. President, it seems to me these are key questions which need to be answered. The automobile industry obviously is of enormous importance in our country. Not to have the automobile industry would have very severe economic consequences. But we do have to have answers to these questions in regular order. We need to take these matters up so we can cast an intelligent

vote on this kind of economic aid. The question I would supplement is—Who is next? Bear Stearns was given economic aid, Lehman Brothers was not, and perhaps that was a mistake—perhaps not. AIG was given considerable economic aid. Fannie Mae and Freddie Mac were given considerable economic aid. If we are to make an intelligent decision, we are going to have to take a look at these important questions.

EXHIBIT 1

UNITED STATES SENATE,

Washington, DC, September 21, 2008.

Senator HARRY REID,
Majority Leader, U.S. Senate,
Washington, DC.

Senator MITCH MCCONNELL,
Minority Leader, U.S. Senate,
Washington, DC.

DEAR HARRY AND MITCH: As you project the Senate's schedule, I urge that we not rush to judgment and take whatever time is necessary on any proposed legislation to deal with the nation's economic problems. The public, our constituents, have a great deal of skepticism, which I share, about legislation which will let Wall Street "off the hook" and pay insufficient attention to Main Street, middle class Americans.

It is important to focus the legislation on the hundreds of thousands of homeowners who are at risk of losing their residences to foreclosure.

In deciding what additional powers to give to the federal regulators, I believe we should give careful consideration to not extending those powers beyond the current crisis and take steps to prevent a recurrence.

I have read reports that some Wall Street firms, whose conduct has created the crisis, will benefit from a congressional legislative fix. We should do our utmost to see to it that those responsible for the crisis bear the maximum financial burden on any bailout in order to minimize the taxpayers' exposure.

There are reports that the bailout might be extended to foreign firms with United States affiliates. In my view, the legislation must be carefully tailored for United States' interests and if foreign firms, even if United States affiliates are to be involved, then consideration should be given to appropriate contributions from those foreign governments.

I realize there is considerable pressure for the Congress to adjourn by the end of next week, but I think we must take the necessary time to conduct hearings, analyze the Administration's proposed legislation, and demonstrate to the American people that any response is thoughtful, thoroughly considered and appropriate.

Sincerely,

ARLEN SPECTER.

(The remarks of Mr. SPECTER pertaining to the introduction of S. 3686 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

The PRESIDING OFFICER. The Senator from Maryland is recognized.

(The remarks of Ms. MIKULSKI and Mr. BOND pertaining to the introduction of S. 3684 are printed in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. BOND. I yield the floor and 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. NELSON of Florida. 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. NELSON of Florida. Mr. President, as I understand it, we are in morning business?

The PRESIDING OFFICER. The Senator is correct.

Mr. NELSON of Florida. Mr. President, I would like to be recognized.

The PRESIDING OFFICER. The Senator from Florida is recognized.

FEDERAL LOAN TO THE AMERICAN AUTOMOBILE INDUSTRY

Mr. NELSON of Florida. Mr. President, later this week the Senate is going to consider this question that befalls our American automobile industry and the question of whether to extend assistance to the American automobile industry and its workforce. What we are going to do—either this week or whether it is postponed into January—is going to determine the future of a key manufacturing sector and millions of American jobs.

Some of our colleagues have said we should not interfere with the free market, that we should allow businesses that have acted irresponsibly to fail and to be replaced by more efficient competitors. I must say I have some sympathy for that view. For too long, our U.S. domestic automakers have sailed against the winds of change and have failed to produce vehicles for the 21st century—for that matter, for the last half of the 20th century.

This is not the first time this Senator from Florida has faced this issue, for, as a young Congressman years ago, we had a similar issue facing us with the bailout of the Chrysler Corporation. I voted for that bailout, which included some \$4 billion. In retrospect, that was the right decision because Chrysler did reinvent itself. But the circumstances were different because Chrysler had at its helm a man who we believed would go in and reform Chrysler, and that was Lee Iacocca. As I look across the landscape of the American automobile industry, I am wondering, where are the Lee Iacoccas? We do not see them.

It is this Senator's judgment that there should be no bailout of the American automobile industry. There should not be a reward for poor management. But because of the American jobs at risk, because of American manufacturing at risk, I support a Federal loan with serious restrictions.

I want to discuss some of those restrictions. I come to this position having fought tooth and nail against the automobile companies when they dragged their feet on implementing responsible fuel economy standards. They insisted, sometimes with crocodile tears, they could not meet those miles-per-gallon requirements, and: Oh, by the way, let the consumers decide. Those automobile makers are now coming to us asking for our assistance.

But that is not the full picture. As the President-elect has said, a failure of the American auto industry would be disastrous not just for many Americans who work for the industry but for the entire economy because those jobs ripple with the multiplier effect through the economy. So whether you are considering assembly plants or suppliers or dealerships, we would face significant layoffs in all 50 States. It would push us further and further into an economic hole. We simply cannot let that happen, but we cannot allow a bailout. It has to be a Federal loan with a workout, and that is a financial term to restructure how a company can get out of its economic problems. We need to bring all of the stakeholders to the table—management, labor, lenders, suppliers—to figure out how to revitalize the American auto industry to make it competitive in the future while saving those good American jobs.

So this Senator's conclusion is that any Federal assistance we provide for the American auto industry is going to have to include these conditions.

First, we must insist that the automakers increase average miles per gallon to 40 miles per gallon in 10 years and to 50 miles per gallon by 2020. Why do I say this? There are cars, fleets in Japan, that are already driving at 50 miles per gallon. In Europe, the cars are being driven at 40 miles per gallon. We are talking about 12 years in the future to achieve this. Technically, it can be done if we but have the will.

Look, in the 8 years this Senator has been in the Senate, every year we have gotten beaten by the U.S. automakers as we have tried to increase the miles per gallon in the fleet average. They beat us one way or another, and they would always say: Let the consumer decide—all along while the foreign automobile makers were getting prepared to eat their lunch. As their lunch was being eaten, year by year, they continued to still fight us on the miles-per-gallon standards. Finally, we had a little victory, just a year ago, that was conditioned upon giving them—giving them—\$25 billion in return for them agreeing they would move to 35 miles per gallon but not until the year 2020. We have to stop this kind of foot-dragging that has gotten them to the place they are now. So for any Federal assistance in the form of a loan we must insist they increase their miles per gallon.

Second, the automakers must increase the production of flex-fuel, electric, and plug-in hybrid vehicles. Prices of gasoline at the pump have obviously fallen in recent weeks, but they are not going to stay low forever, and that is another whole subject. As soon as all the speculators start getting back into the oil futures contracts market again—which have been deregulated, so there is no regulation on the speculators—they will run the price right back up. Remember, the price of a barrel of oil is down in the range of \$50 or