

I don't want to ever face seeing Medicare go out of business and Social Security go broke. I am willing to stand up and take the heat and make the recommendations and work hand in glove with my fellow Republicans and with Democrats to see to it that the events on those two dates—the date of the death of Medicare in 2019 and end of Social Security in 2041—never take place. Between the two sides of the political spectrum, we can find common ground if we have a willingness to establish a goal and achieve it. I will never forget when President John F. Kennedy came forth to the people in America and declared that one day—8 years later—the United States would launch a man to the Moon, land him on the Moon, and bring him home safely. We didn't know how to do that; we didn't have the foggiest idea. We were getting beaten badly by the Soviet Union in mathematics, science, exploration and technology, and he was daring us to do something nobody knew how to do. We did it by July of 1969.

I don't think saving Medicare and Social Security is as difficult or as technical as getting a man to the Moon and bringing him home. But it is equally as important—maybe more so—for the health, welfare, and livelihoods of our oldest friends who are in the twilight of their years and our children born to us this year; and it is very important to the United States.

So this Senator pledges to his newest grandson that I will stand up anytime, anyplace, or anywhere and work with my colleagues in the Senate to begin the job of seeing that we fix Medicare and Social Security and that we preserve the promise for our grandchildren that our grandfathers have enjoyed and prospered with.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from North Dakota is recognized.

Mr. DORGAN. Mr. President, I congratulate my friend, the Senator from Georgia, on his new grandson. We all hope this country continues to hold the promise it has held for so many decades now for all American children.

Mr. ISAKSON. I thank the Senator.

THE ECONOMY

Mr. DORGAN. Mr. President, I have come today to talk a bit about the economy and where we find ourselves. This week we are going to talk about housing.

The effort we have made in the Senate in the majority party to pass emergency housing legislation is very important. I want to put up some charts that show what was happening in this country with respect to housing and what was happening at least to begin to cause the partial collapse we have seen.

This is an advertisement by a company called Millennia Mortgage. Here is what it said to the American people. I don't know this company, but they said:

Twelve months, no mortgage payment. That's right. We will give you the money to make your first 12 payments if you call in the next 7 days. We pay it for you. . . . Our loan program may reduce your current monthly payment by as much as 50 percent and allow you no payments for the first 12 months. Call us today.

Millennia Mortgage. Come over here and get a mortgage from us. You don't have to make a payment for 12 months, they said.

Here is a company appropriately named. I don't know this company either—Zoom Credit. They told the American people:

Credit approval is just seconds away. Get on the fast track at Zoom Credit. At the speed of light, Zoom Credit will preapprove you for a car loan, a home loan, or a credit card. Even if your credit's in the tank. Zoom Credit is like money in the bank. Zoom Credit specializes in credit repair, debt consolidation, too, bankruptcy, slow credit, no credit—who cares?

That is what Zoom Credit had to say to the American people.

Then Countrywide, the country's largest mortgage lender, said:

Do you have less than perfect credit? Do you have late mortgage payments? Have you been denied by other lenders? Call us . . .

Just call us; that is not a problem. If you are a bad risk, you don't pay your bills, call us. This from the largest mortgage lender in this country.

And then we wonder what happened? What could have caused all of this economic trouble? Everyone understands this does not work. Mortgage revenue companies advertising: Come to us if you have bad credit; let us give you a loan of some type. And by the way, the same companies, in many cases, applied what is called predatory lending—high-pressure, cold-call telephone sales to people who say: I know you have a mortgage, but we will give you a different mortgage. We will give you one with a 2-percent interest rate, not telling them it will reset to 7 percent or 9 percent or, in some cases, more with prepayment penalties. And the broker who was able to convince someone to do that got a big fat bonus. The mortgage company, well, they got mortgages with big interest rates once they reset, and prepayment penalties so the people could not get out of them. Then what they were able to do was slice them up and put them into—like they did in the old days, like they would pack sawdust into sausages for filler—they would take good mortgages, bad mortgages, subprime, potentially bad, put them all together, slice them up, dice them, and ship them off to a hedge fund that buys them—in some cases the mortgage banks had their own mortgage sides to purchase these securitized investments—and no one knew what was in them. Very much like sausage, I might say. Nobody knew what was there.

Now all of a sudden, they have all of this paper out there and we have about 7.2 million families with what are called subprime mortgages, an outstanding value of \$1.3 trillion. It is esti-

mated that 2 million families will lose their homes in the next 2 years. By the way, 2 million families, that is 5.4 million people who will be affected by the loss of their home in the next couple of years.

We put together legislation to try to address this issue in the Senate, and we have had great difficulty moving it. We hope in the next day or so we will at least be able to get a motion to proceed.

It is interesting, when we are talking about trying to help some people avoid losing their homes, they say: Well, we don't want to help folks such as that. I agree that those who were buying houses for the sake of flipping them, making a bunch of money in the bubble of housing prices, I am not interested very much in them, but I am very interested in someone who was a victim of predatory lending by a bunch of folks who were getting rich, making a lot of money and those folks are now threatened with losing their house. I am very interested in seeing if we can help them a bit.

It is interesting, the big folks always get help. The Federal Reserve Board and the administration, with Treasury Secretary Paulson, have rushed in. They arranged for JP Morgan to buy Bear Stearns, a big old investment bank. Bear Stearns was worth about \$20 billion a couple of months ago. It was acquired by JP Morgan for \$1.3 billion in the last couple of weeks and the Federal Government, through the Federal Reserve Board, will put up \$29 billion to pick up the risks on the assets. Think of that. One investment bank gets a \$1.3 billion acquisition of another investment bank that was worth \$20 billion a couple of weeks ago, and the Federal taxpayers come in to provide \$29 billion as a safety net for the risk JP Morgan assumes.

On top of that, the Fed comes in and says for the first time since the Great Depression that they will make direct loans to investment banks. They have previously made loans to depository banks over which they have regulatory control, but now they will make direct loans to investment banks.

In addition, they will make a \$200 billion loan available to Wall Street bond dealers. It is kind of a form of no-fault capitalism.

I don't know whether the Fed and the Bush administration are doing the right thing. I don't know. I know we cannot, none of us—the administration or the Fed or the Congress—decide to do nothing. We are trying to decide on behalf of families who are about to lose homes to see if we can't do something to give them some help. Obviously, a lot of help has been extended to the Wall Street interests—a lot of help, \$30 billion, \$200 billion, direct lending to investment banks. That is a lot of help. But when it comes to the homeowners, well, not so fast; let's worry about that, they say.

The Secretary of the Treasury has made the point that the problem has

not been the lack of regulation. That has exactly been the problem, lack of regulation. We must have some kind of regulatory authority to look over the shoulder and watch and see what is happening. But the fact is there has been no regulation.

The fact is the Federal Reserve Board in the Greenspan era, more recently Bernanke, and the Bush administration have watched while all of these financial engineers have created the most sophisticated of securities and devices. The financial engineers created things such as derivatives, collateralized debt obligations, called CDOs, credit default swaps—\$23 trillion of notional values out there in credit default swaps—loan syndications, securitization, off-the-balance-sheet debt vehicles. It is unbelievable what has been going on, all in the name of financial engineering, and while the economy was going up, everybody thought they were all geniuses. And now as it is collapsing like a house of cards, the Federal Reserve and the head of the Treasury Department rush to try to help the big interests. The question is, what about the rest of the folks who are getting hurt? There are a lot of them. What about the rest?

I mentioned Bear Stearns was about to go belly up and the Fed and the Treasury Department assessed that could not happen because it would affect the entire financial system. I don't know whether they are right. I know it has become a kind of no-fault capitalism when the investment banks can take very big risks, and then when it comes time that it does not work out, the taxpayers come in and say: Don't worry, we will put up a safety net.

About 16 months ago, Bear Stearns gave the chairman of Bear Stearns, James Cayne, a stock bonus of \$14.8 million. The year before, he had gotten \$30.3 million in compensation. This company that went belly up over the last 5 years, the chairman, Mr. Cayne, made \$156 million in income. Let me say that again. This is a company that went belly up because it took risks that were way outside the norm, in my judgment. The chairman received \$156 million between 2002 and 2006. The CEO, Alan Schwartz, received \$141 million in income during that same period, and the former company president, Warren Spector, \$168 million.

Let me say that again. Three top officials at Bear Stearns, 15, 16 months ago received very large bonuses, and in the last 5 years received the following compensations: \$156 million, \$141 million, and \$168 million. This is like hogs in a trough, all except for the grunting and shoving, which we cannot yet hear, but we will, I assume. It is unbelievable. There is unbelievable greed in this system.

We are told again by the Secretary of the Treasury that this was not the fault of a lack of regulation. Of course, it was the fault of no regulation.

This is from the Wall Street Journal, March 2008:

A year ago at a Honolulu hotel, the heads of three Federal regulatory agencies charged with guarding the soundness of America's banks delivered this message: We're the ones you want regulating you.

Essentially telling them, we are going to compete for lax regulations. It doesn't matter what you do, we are not going to watch very much because we believe in deregulation.

So we have an unbelievable amount of hedge fund activity that did not use to exist in this country. It is now completely deregulated—hedge funds involved in derivatives way behind the curtain, and nobody knows what is going on; mortgage companies advertising that you ought to get a mortgage from them if you have bad credit because they wish to give you a mortgage, and then they slice it up in securities and send it around the world and no one knows what is in these securities. All of a sudden that piece of sausage explodes and we wonder why? It exploded because it never made good business sense, and now the American taxpayers are going to bail them all out.

We cannot begin to address this problem unless we understand that when the big interests are going to make hundreds of millions, even billions of dollars as a result of almost unprecedented greed, there needs to be some regulation. That is a fact. Regulation is not a four-letter word. It is an essential part of good government.

Long ago, I and others have been on the floor of the Senate talking about need for some regulation with respect to hedge funds, but we have not been able to get legislation through the Congress. But this is not just about regulating hedge funds; it is about the agencies that are already empowered to regulate refusing to do their jobs.

The Secretary of the Treasury today announced a series of steps that he portrays as a substantial addressing of the issues that are now involved in subprime lending and the other financial difficulties. But in many ways, it is moving the boxes around and, it appears to me to be deregulation rather than the need for additional regulation and additional oversight.

It is not just in this area of housing, it is not just in the area of investment banking or hedge funds. I have mentioned on the floor previously that there is unbelievable speculation in a range of areas. Oil—the fact is I believe, and there are some experts who believe, that the price of oil at the moment is about \$30 above where it ought to be. Why? Because for the first time hedge funds and investment banks are hip deep in the oil futures market, driving up the price of oil, having nothing at all to do with the supply and demand of oil. Once again, unbelievable speculation. For what purpose? For the purpose of unbelievable profitability.

We have not had investment banks previously buying oil storage capability so they can buy oil on the futures market and take it off the mar-

ket and put it in storage and wait until the price goes up. We have not had that before. That is the kind of speculation that I think is counter to the interests of this country's economy. It is not counter to the interests of those who want very large profits, even if the rest of the American people have to pay for that unbelievable speculation.

There are some who say, if we can address this issue now, the issue of housing, the issue of predatory lending, if we can address the issue of investment banks, the issues of some hedge funds, that will all be fine. That is not the case either. There are some other underlying problems that almost everyone in this world knows but no one is interested in doing anything about it. The dollar is losing value substantially for a number of reasons, but at least two of those reasons are obvious: No. 1, an \$800 billion trade deficit; No. 2, the \$700 billion required additional borrowing this year because of budget policy.

I know the President says the deficit is a projected \$410 billion. That is not true. Take a look at what our country is going to be required to borrow in the coming years—\$700 billion. You add an \$800 billion trade deficit to a \$700 billion borrowing requirement because of a reckless budget policy and you have \$1.5 trillion borrowing in 1 year against a \$14 trillion economy. People know that doesn't work.

I mean, the fact is, we have to fix this system, and we start, it seems to me, this week, with the proposition that if we can deal with the housing piece, at least you start trying to help some of the American people who really deserve some help at this point in order to keep their homes. That is the first piece of legislation on the floor of the Senate this week. That is a reasonable thing to do. If this Government, at its highest levels, can take billions and tens of billions of dollars around Wall Street and say to the Wall Street firms, here is \$29 billion if you will pay \$1.3 billion for a firm that used to be worth \$20 billion a couple weeks ago—if we can do that and assume all that risk on behalf of the American taxpayers for the kind of activities on Wall Street that represent, in my judgment, unsound business practices and unbelievable speculation, this Congress can certainly reach out to home owners across this country to say that we want to give them some help. We will see tomorrow or the next day what might or might not happen with respect to the willingness of this Senate to address this housing issue.

WASTE, FRAUD, AND ABUSE

Mr. DORGAN. Mr. President, 2 weeks ago, I had a chance to meet Herman Wouk, who is one of America's greatest authors. He wrote "Caine Mutiny" and he wrote "War and Remembrance." He is 91 years old and a remarkable man, just a remarkable man. He was telling me something kind of in jest. He said: