are facing today is an absence of transparency and accountability on behalf of investment banking. The subprime securities that were created on Wall Street, and were rated investment grade by Moodys and Standard & Poor's, are the fundamental foundation of these financial collapses not just in the United States but around the world because those securities were bought as capital basis for many of the lending and financial institutions.

As we look to the future, and the recovery which we will see—because America always recovers—it is important that we never allow something like the securitization of high-risk paper and rating as investment grade to ever happen again without some level of transparency and an absolute level of accountability on behalf of the institution.

I want to tell a brief story, only for the purpose of letting people know what a small world we live in and how our words matter and the consequences to our actions. I traveled to Kazakhstan in August with the majority leader, Senator REID. It was an educational trip of immense benefit to me, and I think of immense benefit to the country, in terms of what we did. Kazakhstan is a country of 16 million people with the largest find of oil in all of Asia. It is a wealthy country that built its capital city of Astana from scratch 10 years ago.

When we landed in Astana and left in a vehicle provided by the embassy and drove into town, there were landscaped gardens, beautiful buildings, gold-domed mosques—obviously, the best of everything because of the wealth they had.

But I noticed something interesting. I counted 17 buildings, midrise and high-rise, partially completed, cranes up, with nobody working. When we got to the embassy I asked our ambassador when he said, Are there any questions: Is there a holiday?

He said: No. Why do you ask?

I said: Nobody is working on all these unfinished buildings. Why is that?

He said: The U.S. subprime mortgage crisis.

I said: I don't understand.

He said: The bank of Kazakhstan bought a bunch of the subprime securities in the United States, and when Merrill Lynch wrote their portfolio down to 22 cents on the dollar, the bank of Kazakhstan did the same thing. And when they did, they had to stop funding construction and stop funding mortgages.

If we do not think we live in a small world, if we don't understand the consequences of our words and the policies that are initiated in terms of our financial products, we have another thought coming.

Last, I compliment the Congress and use as an example the housing bill, where we have the power to address and strengthen our economy. In July, this Senate passed, by a vote of what I remember to be 83 to 14—it may have been slightly different—a bipartisan housing bill that did a number of things: It modernized FHA, raised loan limits, provided a refinance mechanism for subprime loans rather than foreclosure, but also answered the question of Freddie and Fannie and provided an opportunity for the Secretary of the Treasury and the Federal Reserve to address Freddie Mac and Fannie Mae should those institutions get in trouble.

While we were gone in August they got into trouble. They got in trouble in part because of their own doing but in trouble in part also because of a lack of confidence. If we had not passed that bill that allowed Secretary Paulson to come in and stabilize Freddie and Fannie, the source of mortgage money for the people of the United States of America, the problems we are experiencing now are nothing compared to what would have happened.

Our actions matter and our words matter. We should be careful to understand that in a time of uncertainty in our financial markets and of concern by all Americans, rich and poor, Republican and Democrat, our words matter. We should work diligently to give people confidence in our system of government and our financial system, provide the intervention and the appropriate aid while necessary but not overregulate or stigmatize a system that has worked for the better part of two and a quarter centuries.

I love this country, and I appreciate the people I represent. I suffer as they do today with the uncertainties in the financial markets. I hope all of us will commit ourselves to do those things within our grasp to see to it that we have a sounder economy, a sounder dollar, and a sounder America. Let's do our appropriations. Let's have an energy policy that works. Let's look at those positive things that have happened in the past on Wall Street that can bring back a level of accountability and transparency that are absolutely essential in the United States of America.

I yield the remainder of my time.

The ACTING PRESIDENT pro tempore. The Senator from Missouri is recognized.

THE ECONOMY

Mrs. McCASKILL. Mr. President, I would like to talk about what is going on in our economy right now. I think it is important that we point out a couple of things at the outset.

First, I had the opportunity yesterday afternoon to spend some time with some great community bankers from my State. They said something to me that really resonated, and that is: I don't think we have done enough to tell America the difference between deposit banks and investment banks. There are a whole lot of folks I represent right now who are nervous. My sister caught her mother-in-law with cash in her pillowcase this week.

The reason they are nervous is, frankly, a lot of them don't understand that the problems caused here were not because of deposit banks. Deposit banks are highly regulated. Deposit banks have both State government and Federal Government looking over their shoulders every single day. Deposit banks are fine in the United States of America—partly because of appropriate regulation and oversight by State and Federal Governments. And they are insured. Every account in America that is in a deposit bank is insured by the Federal Government for up to $100,000.

In fairness to all those great community banks and the banks in my State that have used sound business practices, that have not let greed be their watchword, that have served their communities well, let me reassure all the people who bank at those great banks that they can take a sigh of relief today because the problem we have in our economy is not with deposit banks.

Let's step back and see what has happened. There are three things that have happened. No. 1 was massive deregulation of exotic financial instruments in investment banks and insurance companies. No. 2, there was a huge amount of greed. And, No. 3, no one was watching out for the taxpayers.

I heard my colleague from Georgia talk about short selling and naked short selling and saying we need to tell them to enforce the law.

Think about that for a minute. We need to tell somebody to enforce the law as it relates to trading? I heard just an hour ago that today the SEC is going to enforce naked short selling rules. Naked short selling—it would take longer to explain than I have this morning, but suffice it to say, it is wrong and bad because when you are hedging, when you are long selling and short selling, you need to take delivery. That is how this works. There are rules against naked short selling, but they were not enforced.

They are enforcing it today. Why wasn't it enforced last week? Why weren't the rules enforced the week before? Why weren't the rules enforced last year? They didn't want to. It is pretty simple. Nobody wanted to enforce the rules. Why not? Because the titans of Wall Street were in charge. The titans of Wall Street have had their way with this White House.

Facts are stubborn. If the law is on the books and this administration is not enforcing it, they need to explain to the American public why the taxpayers are now on the hook for hundreds of billions of dollars because these guys didn't think it was important to enforce the rules against their friends.

Credit default swaps is another exotic financial instrument that came in vogue after the massive deregulation of this administration. It was made possible by the deregulators.

Here is the thing that is killing me—it is just killing me. All of the folks who have been screaming: Deregulation, get government off our backs, evil government off our backs, big bad government off our backs, deregulate, deregulate, deregulate—in the last 24 hours there has been—do you remember the transformer toys that went from an animal to a massive machine? We have transformers around here. These massive deregulation advocates all of a sudden say: We have to enforce rules on Wall Street. We have to regulate.

Come on. Do you think we are dumb? You can't transform overnight from a big bad deregulator to I am now the cop on the beat; I'll take care of Wall Street. It is not honest. Be principled. If you are a deregulator and you want to live with these consequences, you want to say to the American people: Hey, when we deregulate, this is the risk. This is the risk we are taking with your money.

They are going after the status quo. Many of my friends on the other side of the aisle, they are fighting the status quo. Guess what. They created it. This was their plan. It didn't work. It didn't grow our economy. It didn't create our jobs. American families, for the first time in our history, have gone down in terms of their average income. For the first time in our history America is not growing. Our prosperity is not growing.

Senator Phil Gramm marshaled through the bill that allowed investment banks and insurance companies to run wild. I have Missouri families who have lost jobs. I have a lot of autoworkers who are losing their jobs in Missouri. One of the things that is hard—one of Senator MCCAIN's economic advisers, Senator Gramm, did this massive deregulation. We have another one who was a CEO of a major corporation who walked away from a company with $42 million in her pocket. Because she did well? Because she got that company to the stratosphere? No. She was fired. The board of directors fired her and then gave her a $42 million payday.

I have to tell you, in Missouri that doesn't compute. It just doesn't compute. When you lose your job because you haven't done a good job, you should not get paid for it. I know I am offended at the notion that any of this taxpayer money is going to go to multimillion-dollar payouts to anybody who ran any of these companies. It is one of the things we have to pay very close attention to because now that taxpayer money is on the line, we have to make sure it is spent appropriately.

CEO salaries are out of control in this country, and it is not a matter of being competitive. It is not that we have to pay our CEOs so much more because everybody else is. Right now in America a CEO is making 40 times the average worker's salary. Do you know what it is in Japan, one of our competitors? Ten times. It is only ten times.

I want to mention Social Security because my colleague from Georgia mentioned Social Security. I want everyone to dwell just a minute on this notion. At the same time Senator MCCAIN, Senator Gramm, and many others were saying deregulate, deregulate, what else were they saying? The future of Social Security depends on privatization. Privatization of Social Security was our ticket to the promised land for stability in the Social Security Program. Think about that today. Think about what that means today, yesterday, Monday. Think about the consequences. We need to realize we have to learn from our mistakes. We have to fix what is broken and, for gosh sakes, we cannot talk about privatizing Social Security on Wall Street right now. I am hopeful this will be a wake-up call to all those people who advocate the privatization of Social Security.

They say: Deregulate, get government off our backs, free market, lax enforcement, big government, bad government, deregulate, deregulate, get government off our backs, big government, bad government—until their friends get in trouble. Do we have a free market with oil? No, we don't have a free market for oil. We subsidize oil companies. Do we have a free market for the pharmaceutical companies? No, Medicare D was a huge profit subsidy for drug companies in this country. Do we have a free market for Wall Street? No, we are rushing in to save them.

When their friends get in trouble, who comes to the rescue? Who comes to the rescue when trouble arrives at the doorstep? The taxpayers of the United States of America, and that, in fact, is the rub.

What we have to have is reasonable regulation. We have to enforce our laws—both our competitive laws and our regulatory laws—and we have to make sure now that we watch the taxpayer money and make sure not a dime of it goes to a payout to anybody who doesn't deserve it.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Missouri.

Mr. BOND. Mr. President, I rise today to speak about the American economy. I think most of us are talking about it. Most everybody is thinking about it. With the financial markets in turmoil, the confidence of investors and consumers across my home State of Missouri, the Nation, and the globe is being challenged. Most of the media focus is on the struggles in Wall Street. My concern is for American families, anxious about their security, the security of their savings, their retirement, their assets, and their pensions.

I was disappointed to see that Leader REID, just a day or so ago, said no one knows what to do at the moment. There are steps taken in an emergency matter. The fire department in this matter has been the Federal Reserve and the Treasury. We will look at and evaluate their judgment, but it appears they have at least stemmed the tide at this point.

But there are a lot of things that we ought to be talking about doing now. There are changes that need to be made. There are changes that need to be made in regulation, there are changes that need to be made by legislation, there are changes that need to be made in attitudes.

If you want to get into the blame game, I assure you there is plenty of blame to go around. This concept, the original concept of government-sponsored enterprises, well, that is one that certainly got off the track. My colleagues on both sides of the aisle sponsored GSEs. But they got themselves trapped way out in financial derivative speculation and got outside their charter. The regulation was inadequate. There are some of us who called for a strong regulator. Others who were defending the GSEs said: No, no, no, we like having an ineffective regulator. There are a lot of examples of that. But this is not the time to point fingers. The American people want solutions because these are serious and difficult times for everyone. As I said, families are worried about their personal finances and savings.

American families are already struggling with the housing crisis as well as high energy prices, which lead to food and other cost increases, as well as health care and education. Those have to be foremost in our minds. I understand. I have listened to the people in my State. I have heard their concerns.

These families need to know that the country's leaders take their concerns seriously and are working together to make the right response to this crisis. We have to instill confidence in the public that our actions are also driven by the best interests of taxpayers so they and future generations are not saddled with debts driven by unnecessary bailouts and that Government has a plan to avert similar future crises. To instill confidence, we must show true leadership and, I would hope, put aside the politics of blame and partisanship. We have had enough of that already. The American people have had too much of that. Enough. That ought to be it. Leadership should be about bringing people together and coming up with real solutions driven by the best interests of our families and country.

Leadership is needed now more than ever. I call for my colleagues in the Senate, the House, the administration, the SEC, the Federal Reserve, and others in the public and in the private sector to come together to share ideas and discuss them.

Let me share some of the ideas I laid out in a letter I sent out yesterday to Treasury Secretary Henry Paulson, SEC Chairman Chris Cox, Federal Reserve Chairman Ben Bernanke, and the House and Senate chairmen and ranking members of the Banking Committee, because everybody needs to be in it.

First, we must all recognize that America's financial system is struggling under the weight of greed, laced with regulatory loopholes, and compromised by complexity. Only fundamental reform of those excesses will prevent abuse from returning. We need reform to provide greater oversight, transparency, and accountability so that our economy, housing system, and consumers are adequately protected. The status quo is clearly unacceptable, and taxpayer-funded bailouts are not the answer. It is time that we reform our antiquated regulatory system to close loopholes to prevent the same type of problems we are currently experiencing, by taking a number of actions to address our regulatory system, ensure better market stability, and protect consumers.

Regulation needs to be carefully considered because there are very strong arguments that some of the problems today where some of the major institutions were put in a trap are the result of the post-Enron wave of trying to make everything bad illegal. Mark-to-market accounting was one of the things that has been instituted well depending upon how you apply it when you are in a meltdown. Right now, the value of a house covered by a mortgage may have declined 10 to 20 percent. But if nobody is buying that mortgage, if there is no market today for that mortgage, it might be marked to zero—to zero—when, in fact, the real value is probably no less than 75 or 80 percent. That puts a hit on the balance sheets, and that has repercussions throughout the system. That may be part of the cause. We need to look at that.

We need to see if excessive regulation in mark to market has put businesses at risk that should not be at risk, that should not be pushed into bankruptcy. Just as the Sarbanes-Oxley bill, designed to curb excesses—which were actually punished under existing law—has driven many of our financial institutions offshore, we have to be concerned about what the impacts of the regulations are. But I firmly believe that corporations must be held accountable for their bad decisions.

Similarly, we must find a way to prevent the use of golden parachutes to reward executives for their failed leadership. I think we were all outraged to hear the golden parachutes that were going to be given to the leaders of the GSEs who had been responsible for their institutions being wiped out essentially and put into conservatorship. I do not want a single taxpayer dollar going to pay them bonuses. If a baseball manager does a bad job, he gets fired. When we have a bad job being done by a financial institution head, the taxpayers sure ought not be called on to give that executive millions of dollars in a golden parachute.

But we also must find a way to restore personal responsibility in society. Responsible investors have an obligation not to enter into investments they do not understand. Responsible private citizens have an obligation not to take on debt they cannot afford.

Mortgage brokers should no longer receive special treatment allowing them to escape regulation and licensing requirements standard for brokers of other financial products. The Treasury's Regulatory Blueprint issued last March contains many positive recommendations, such as the creation of a new Federal commission, the Mortgage Origination Commission, which I support. I plan to introduce legislation to establish the Mortgage Origination Commission.

The Federal Government must step up its efforts in financial literacy and education, and pre- and post-purchase housing counseling. Most borrowers made responsible decisions in selecting appropriate financing vehicles for purchasing their homes and other major assets. Unfortunately, a large number of borrowers either knowingly or unknowingly agreed to loans that were detrimental to their families and their credit.

Mr. President, I stand ready to work with my colleagues here in the Senate on working on real solutions so that our Nation has confidence that we are here for them.

We have talked about the American dream. There are some who, in the name of the American dream, have pushed home ownership on people who could not afford it. Clearly, home ownership is part of the American dream, and in assisting families and individuals, we should do all we can to achieve that. I have worked for that as lead appropriator on housing on this side of the aisle for many years.

However, we have seen that American dream become the American nightmare when people have been given too-good-to-be-true offers for mortgages and asked to take on mortgages that consume all of their available income.

Well, I will tell you something, having a little experience in owning homes. Along with home ownership comes some potential financial responsibilities. A couple of weeks ago, we had to have our basement pumped out. That costs a lot of money. In the winter, I have had furnaces go down, or if we have a family emergency, that may make the mortgage payments unaffordable. We must ensure that, to the greatest extent possible, people understand that the benefits of home ownership are balanced against the risks and the costs to the homeowner, the neighbors, the communities, and even the financial marketplaces. Home ownership must be promoted, not on the basis of getting the number of homeowners up to an arbitrary level but in a responsible manner focusing on the best interests of families and not on investors or others pushing mortgages.

You can live in rental housing until you have the funds to buy a house. I have lived in rental housing. Many people live in rental housing. Before you decide to buy a home, if you are not financially well experienced, there are a lot of good counseling concerns around that can help you determine if you can buy a home and help you determine how much you can afford to pay and what kind of mortgage you can afford to take on.

I worked with Senator DODD last year to get $180 million for counseling for homeowners facing foreclosure. Well, that is working, and we are seeing a tremendous need for that counseling. I have visited with homeowners being counseled by housing counselors, with housing advocates, with community leaders, local officials who are worried about their communities going down, and the one thing every one of those people say is: We need counseling not just at the time of possible foreclosure but before they purchase the house so they do not get in the crack of foreclosure.

Well, I think we have to strengthen the oversight, the regulatory oversight of the housing finance market. The creation of a new regulator with more expansive powers to oversee the two mortgage government-sponsored enterprises, Fannie Mae and Freddie Mac, if they continue to exist, was a long overdue and necessary step.

While the importance of making this legislative change cannot be understated, I emphasize the critical need to ensure that the new regulator not repeat the same mistakes made by its predecessor. That regulator did not examine, did not look at the practices, did not call attention to the practices that the GSEs were engaged in, which may have provided some short-term profits to their shareholders and certainly healthy returns for their executives, but they failed to identity and said that these were sound operations.

Mr. President, I ask unanimous consent to have the letter I referred to earlier printed in the RECORD.

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

SEPTEMBER 17, 2008.

Hon. HENRY PAULSON, Jr.,
Secretary,
Department of the Treasury.
Hon. BEN BERNANKE,
Chairman, Board of Governors,
The Federal Reserve.
Hon. Chris Cox,
Chairman,
Securities and Exchange Commission.

DEAR SECRETARY PAULSON, CHAIRMAN BERNANKE, AND CHAIRMAN COX: America's financial system is groaning under the weight of greed, laced with regulatory loopholes, and compromised by complexity. Only fundamental reform of these excesses will prevent abuse from occurring again. Thank you all for your leadership in these uncertain times. As a long-time participant in housing policy and oversight issues, I offer my assistance in the hard work of reform that is too often left undone after the crisis recedes.

This week's turmoil in the financial market is the latest in a series of events that has shaken the confidence of investors and consumers throughout the nation and the world. While the media focuses on the struggles of Wall Street, my concern is for American families anxious about the security of their savings, retirement, assets, and pensions. These American families—already struggling with a housing crisis and high gas, food, health care and education costs—must be foremost in our minds as we address the credit crisis. Our actions must be driven by the best interests of the taxpayers so that they and future generations are not saddled with debts driven by unnecessary bailouts. The public must know their government has a plan to avert similar future crises.

Any reform must provide greater oversight, transparency, and accountability so that our economy, housing system, and consumers are adequately protected. The status quo is unacceptable. Taxpayer-funded bailouts are not the answer. Loopholes in our antiquated regulatory system must be closed to prevent the same type of problems that we are currently experiencing.

CORPORATE AND PERSONAL RESPONSIBILITY

Excessive greed and abuse call for greater accountability at all levels of government and private life. We must end the troubling cycle of rewarding corporate failure with taxpayer-funded bailouts. Corporations must be held accountable for their bad decisions. Executives should not be rewarded with golden parachutes for their failed leadership. We must also restore a sense of personal responsibility in society. Investors have an obligation not to enter into investments they do not understand. Private citizens have an obligation not to take on debt they cannot afford.

STRONGER REGULATOR OVERSIGHT

We must strengthen regulatory oversight of the housing finance market. The creation of a new regulator with more expansive powers to oversee the two mortgage government-sponsored enterprises—Fannie Mae and Freddie Mac—was a long overdue and necessary step. We must also ensure that the new regulator—the Federal Housing Finance Agency (FHFA)—not repeat the same mistakes made by its predecessor—the Office of Federal Housing Enterprise Oversight (OFHEO). It is critical that FHFA have adequately-skilled staff and strong, competent leadership. OFHEO leadership delayed issuing risk-based capital standards and consistently stated that the enterprises' financial condition was healthy, and adequately capitalized to continue meeting America's housing needs. They were wrong on all counts.

OVERSIGHT OF ALL MORTGAGE ORIGINATORS

In addition, I support Treasury Secretary Paulson's efforts to address gaps in mortgage origination oversight. The mortgage brokers who originated many of the subprime and Alt-A loans that are major sources of the housing crisis were not subject to adequate federal oversight. Mortgage brokers should no longer receive special treatment allowing them to escape the regulation and licensing requirements standard for brokers of other financial products. The Treasury's Regulatory Blueprint issued last March contains many positive recommendations, such as the creation of a new federal commission (the Mortgage Origination Commission). I will introduce legislation shortly to establish the Mortgage Origination Commission and ask for your support in moving this legislation through the Congress.

ELIMINATING ABUSIVE SHORT-SALE PRACTICES

Excessive speculation that asset prices will fall, or ''short-selling,'' is artificially destroying the value of investments and companies. Actions to consider curtailing short-selling abuse include reinstating the ''uptick'' rule and protections on short sales. The uptick rule was established back in 1929 to provide stability to the marketplace. The SEC eliminated the uptick rule last year. Some experts believe that the elimination of this rule has contributed to the volatility in the stock market and the record levels of shorting. Accordingly, the SEC should reexamine its decision and reinstate this important rule. The SEC is now in the process of finalizing two rules to strengthen protections against short-selling. They should finalize these rules as quickly as possible and strongly enforce regulation of ''naked short sellers.'' Other experts believe that mark-to-market accounting regulations need to be reviewed to see if they have been inappropriately applied. I urge you to review mark-to-market and to recommend any needed changes. We must also increase oversight of hedge funds to assure transparency, accountability, and avoidance of abusive practices.

CONSUMER CONFIDENCE AND FINANCIAL EDUCATION

The Federal government must step up its efforts in financial literacy and education, and pre- and post-purchase housing counseling. Traditionally, borrowers have made responsible decisions in selecting appropriate financing vehicles for purchasing their homes and other major assets. Unfortunately, in recent years a large number of borrowers either knowingly or unknowingly agreed to loans that were detrimental to their families and their credit. To address this problem, I recommend that you aggressively promote financial literacy and homeownership counseling to consumers and promote greater transparency in the loan process by reforming the Real Estate Settlement Procedures Act (RESPA).

Confidence in our financial markets is being severely challenged during these difficult times. As the Federal government's financial leaders, your commitment to address the regulatory structure and educate consumers will be critical not only to guide our nation out of this economic downturn, but to mitigate future crises. While regulatory reform and additional resources for counseling and financial literacy are needed, we should also rethink our policy emphasis on homeownership. Homeownership is the linchpin of the American Dream. Assisting families and individuals achieve that dream should continue. However, we must ensure that the dream does not become a nightmare. Housing policy must be re-examined so that the benefits of homeownership are appropriately balanced against its risks and costs to homeowners, neighbors, communities, and the financial markets. Homeownership must be promoted not on the basis of increasing the homeownership rate to an arbitrary level, but in a responsible manner that focuses on the best interests of the individual and family, and not on investors.

The leadership you have shown during this financial crisis is commendable. Now we must work together to bring about further reform to financial and housing markets. Thank you in advance for considering my suggestions. I look forward to working with each of you to restore Americans' trust in their financial institutions and in their government.

Sincerely,

CHRISTOPHER S. BOND,
U.S. Senator.

The PRESIDING OFFICER (Mr. BROWN.) The Senator from Rhode Island is recognized.

Mr. WHITEHOUSE. Mr. President, as we speak, people are losing their jobs, losing their homes, and often losing the hope that their situation will improve anytime soon. According to many, the worst may yet be ahead of us. For the first time in generations, we Americans can no longer promise our children they will be better off than we are. That prospect strikes at the very heart of the American dream.

In less than 2 months, Americans will elect a new President who will inherit an economy indelibly marked by the negligent and incompetent decision-making of the Bush administration. No matter what one Presidential candidate may think, the fundamentals of our economy are far from strong. Our economy is off the rails. I believe it is important to take a few minutes to consider how it got dragged off the rails and, more importantly, what must now be done to restore Americans' faith in our economy and put our country back on more solid fiscal ground.

President Bush's successor, whoever he may be, will confront four serious problems: an out-of-control financial market, a staggering Federal debt, a looming crisis in health care costs, and an increase in Social Security obligations.

For the past 8 years, the Bush administration has preached over the financial markets a gospel of uncontrolled deregulation. Simply leave the banks and the financiers and the lenders to their own devices, they said, and all will be well.

Well, all is not well. Markets are places where people come to make money; they do not come for altruistic motives. And some are clever enough when they come to those markets to try to rig or game the market in their favor, to gain monopoly power, to hide information, to cheat, to create special advantage—in short, to find a way to gull the suckers. Markets need to be defended against that age-old risk. Markets have to operate honestly, transparently, and reliably. That is where regulation comes in. That is how markets are defended against crooks and schemers. That is why we have an FTC, an SEC, a CFTC, a FERC, to keep markets honest. Special interests constantly seek special advantages, and it is the regulators' job to push back. In that constant struggle of the special interests against the regulators, the Bush administration always took the side of the special interests. They have systematically undercut the regulators in their efforts to keep markets safe. And now here we are.

Senator MCCAIN has been against the regulators, even back to the savings and loan scandals of the 1980s. The schemers, the manipulators, the Enrons, the subprime mortgage packagers, the oil market speculators, the credit default swap artists—they all found a friend in the Bush administration. They all found an ally in the Bush-McCain policies of deregulation. And now here we are.

Under an administration that cared more about protecting big investors than protecting consumers, one might expect that at least the stock market would have thrived. But after 225 percent growth during President Clinton's 8 years in office, the stock market now hovers just about where it stood in 2001, when President Bush took office. Instead of growing by leaps and bounds, as we in America have come to expect, under the Bush administration, our economy stood still. I ask my colleagues: Would investors prefer 225 percent growth and then paying a responsible capital gains tax, or would they prefer having big fights about what the capital gains tax rate should be while nobody makes any money? There is a lesson here. Bad economic policy is not cured by mindless tax cuts. Anybody in their right mind would rather be here than here, if they are in the market.

The month George Bush became President, the Congressional Budget Office, the nonpartisan accounting arm of Congress, projected we would see surpluses straight through the decade. These budget surpluses, the product of President Clinton's responsible governing, were projected to be enough to completely wipe out our national debt by 2009—to completely wipe out the national debt by 2009. Instead of maintaining the surpluses and paying down the national debt, President Bush chose tax cuts for the wealthiest Americans, a war he wouldn't pay for, and bad economic policies to amass a mountain of debt that he will leave to the next generation.

This chart shows the difference between the budget left by President Clinton and the one President Bush created. The difference between the two lines, this red area, is the measure of the cost of the Bush Presidency. The difference between the surpluses left by President Clinton and the deficits run by President Bush and his Republican enablers in Congress is a staggering $7.7 trillion. Perhaps the more tangible number is $260 billion, the interest we will have to pay next year on this Bush debt, $260 billion in interest, much of it to foreign nations such as China and Saudi Arabia that do not have our best interests at heart. If we could have used that $260 billion that we now need to pay interest on the Bush debt for other national priorities, here is what we do could have done: fixed almost every unsound bridge, doubled enrollment in Head Start to help kids get ready for school, doubled all Pell grants to help kids get access to college, and provided every American with health insurance—all of it. That is how big $260 billion is, and that is what we are blowing on the Bush debt.

The nonpartisan Congressional Budget Office recently estimated that the national debt will go up by another $2.5 trillion over the next decade. The next administration is going to have to figure out how to deal with that mountain of debt. I think we need a Bush debt repayment authority to study the possibility of bringing the Bush debt off budget, to handle it responsibly, to remind the American public what this Presidency has cost them, to pay the Bush debt down responsibly over time. But we must do something.

In addition, as the baby boom generation reaches retirement, we also face a tidal wave of health care costs that threatens to drown the Treasury and force unthinkable choices about health care for the citizenry. According to an analysis conducted by the nonpartisan Government Accountability Office, we have $34 trillion in unfunded future Medicare liabilities alone. That is unsustainable. And the longer we wait to reform the system, the worse it will become. President Bush has wasted the better part of a decade standing idly by as this problem exploded, as health care costs grew and opportunities for reform came and went. Time is not on our side. The need is pressing, and we have spent 8 years making no progress at all.

I have said over and over on many occasions in this Chamber that our health care system needs fundamental change. I will not pursue that point at this juncture, but let me say, our health care system is itself broken. It delivers unsatisfactory results at vast expense, and we need to fix it.

As we prepare for a new administration, we need to prepare for the wave of health care costs coming at us. Systemic reforms—a health IT infrastructure, payment reform, major quality improvements—must be at the heart of that effort.

Finally, the next administration must grapple with the challenges of Social Security. As with all these issues, the choice of President will make all the difference. Senator OBAMA will ensure that Social Security remains a strong bedrock of retirement security for generations to come. But Senator JOHN MCCAIN supports privatizing Social Security, putting it in the stock market. This is an important point. Senator MCCAIN and his Republican allies prefer to invest seniors' Social Security funds in the stock market that just dropped by 500 points the day before yesterday and another 450 points yesterday, the very same stock market that stagnated through the entire Bush Presidency while costs and prices rose by double digits. That is not a solution. That is more of the same problems.

As for the blame game, which I have heard a bit about on the floor this morning, it is bad enough that bad economic policy caused this preventable disaster. It is worse if we should fail to learn its lessons. I can understand why the proponents of the economic theories that brought us here don't want that talked about, but it would be wrong and irresponsible not to learn from this disaster. It was preventable. We made mistakes. It was economic folly that brought us here and regulatory irresponsibility. To now allow that entire lesson to pass would be an added shame for our country.

I yield the floor.

The PRESIDING OFFICER. The Senator from Michigan.

Ms. STABENOW. Mr. President, I thank my friend from New Hampshire, Senator JUDD GREGG, for allowing me to speak, rather than going back and forth. I ask unanimous consent that he be recognized following my remarks.

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

Ms. STABENOW. Mr. President, I rise to discuss the recent collapse in the financial markets and the Republican economic policies that have brought us to this point.

On Monday, Lehman Brothers filed for the largest bankruptcy in American history. This collapse will hurt hard-working Americans' ability to access credit and could deteriorate their pension plans. For example, the city of Detroit's general retirement system that had invested in the bank could lose up to $25 million.

Can you imagine what would have happened if Social Security had been privatized?

This failure occurs as Bank of America announced that it was buying Merrill Lynch and the Federal Reserve announced it was taking over the world's largest insurer, AIG, for the staggering cost of $85 billion. Washington Mutual is still struggling to survive their investments tied to the mortgage market.

As a result of these events, the Dow Jones dropped more than 500 points on Monday—the biggest drop since September 11, and Wednesday it dropped almost 450 points.

These announcements come as middle-class families face the highest unemployment rate in 5 years, record home foreclosures, and skyrocketing gas and grocery prices.

Despite these conditions, our colleague, Senator MCCAIN responded that ''the fundamentals of our economy are strong.'' I would like him to tell that to the 84,000 Americans who lost their jobs, or the 91,000 families who lost their homes last month, or the 605,000 Americans who have lost their job since January.

And now, Senator MCCAIN's solution is to create a commission to study the problem. Middle-class families don't need a study to tell them that we're in an economic crisis.

They see it every day when they try to fill up their gas tanks or put food on the table.

They have known it for the past 8 years, as they have watched jobs sent overseas and their pensions disappear.

Unlike Senator MCCAIN's economic adviser, Phil Gramm, middle-class families don't need a study to tell them that this isn't a ''mental recession.'' What they need are real economic solutions and not 4 more years of the same failed economic policies.

So one of the question I know Michigan families have is, how did we get here? Unfortunately, these failed policies go back for some time.

One example can be seen under the Republican Congress, when MCCAIN's former economic adviser Senator Phil Gramm slipped a provision known as the ''Enron loophole'' into the 11,000-page appropriations bill on a Friday night before recess.

This provision allowed financial institutions to trade an unlimited amount of energy commodities on dark, over-the-counter markets that are beyond the jurisdiction of the Commodities Futures Trading Commission.

Only now, with Democrats in the majority, are we seeing any accountability as we closed the Enron loophole. However, trading on the bilateral swaps markets and the electronic trading facilities are still conducted on these dark markets with no transparency or regulation.

The Commodities Futures Trading Commission only has the power to get information on these markets on an ad hoc basis so speculative investors continue to pour money into the markets without any oversight.

Yet Republicans continue to oppose providing more authority and resources to the CFTC.

Authority that would allow necessary regulation of our commodities markets and protection against manipulative behavior that could influence the price of food and gas for every American.

This just reiterates the failed philosophy of President Bush, JOHN MCCAIN and Republican economics that believe in less oversight, less accountability—more greed—at the expense of American families.

Nowhere is this seen clearer than what is happening in the housing market— the root of our current crisis. The lack of regulation and oversight by the Bush administration allowed for predatory lending to flourish.

In 1994, Congress gave the Federal Reserve the authority to prohibit these unfair and deceptive lending practices. The Fed waited 14 years before implementing regulations.

Senators SCHUMER, Sarbanes, and DODD introduced legislation to protect homeowners from predatory lending. No Republicans cosponsored these bills.

Then in 2004, despite warnings, the Fed actually promoted nontraditional mortgages over fixed-rate mortgages, resulting in the skyrocketing use of ARM and subprime mortgages.

In 2006, regulators finally finalized rules over nontraditional mortgage products, but it did not apply to subprime mortgages.

The Democratic-led Congress held oversight hearings, spoke out time and time again, and yet the administration still sat back and did nothing.

In 2007, the Treasury was still downplaying the subprime crisis by explaining that it was ''largely contained'' and admitting they ''could have done more sooner.''

The Republican philosophy of no public accountability and unlimited greed created markets where these risky mortgages, that they promoted, were packaged and sold as complex debt securities without any oversight. Then, without any regulation, credit rating agencies were allowed to inflate the value of these complex securities and assign triple-A ratings despite their inherent risks.

Greed continued to fuel the vicious cycle until our financial industry was completely entangled in these risky securities.

When homeowners defaulted on their loans, it sent ripple effects throughout the entire economy, bringing down the large banks that had invested in the mortgage market, such as Bear Stearns and Lehman Brothers.

Time and time again, Democrats have tried to enact changes, but every attempt has been blocked by Republicans.

In 2005, the House of Representatives passed a bill that would have created a new regulator to oversee government sponsored enterprises—providing the authority to set capital requirements and limit portfolio size.

When I was on the Banking Committee, we worked to enact this legislation, but we were blocked by the Bush administration.

This session Democrats introduced legislation to strengthen regulation over government sponsored enterprises, to keep families in their homes and help communities struggling with foreclosures.

Republicans opposed this legislation and, while more families lost their homes to foreclosures, they continued to block the bill for months.

Only after Fannie and Freddie reached the point of crisis did the administration finally lift their opposition, further highlighting the inherent problems with the Bush/McCain economic philosophy—it is always too little too late.

Now while Republicans have let the markets ''work it out,'' small businesses and families are faced with tightening credit markets, job losses, increased foreclosures and a loss of confidence in our economy.

Each of these examples shows the fundamental failures of the Bush/McCain economic policies. Policies that are based on greed as a national virtue and high profits at any cost. Policies that send American jobs overseas while increasing tax breaks for big oil.

Our economy cannot take another 4 years of this failed policy; American families cannot take another 4 years. Out country can do better. It is time for a change.

We are in a very important discussion right now, not only about what we need to do together to move our country forward, but it is important to talk about how we got here, because how we got here matters. Critiquing the philosophy that got us here matters, if we are not going to repeat it in the future. When we sum it up, when I look at what I call ''Republican economics 101,'' it is more deregulation. We heard it again today. I heard it from one of my colleagues today, the problem with all of this is that we need more deregulation, more deregulation. Lack of accountability, I call it, lack of transparency. More home foreclosures have come from Republican economics 101, more jobs lost, more tax breaks for the wealthy. That seems to be the answer to everything: Lose your job, let's have another tax cut for the wealthy. Lose your house, let's have another tax cut for the wealthy. Can't pay for gas at the pump? How about another tax cut for the wealthy. Financial markets exploding? Let's have another tax cut for the wealthy. That seems to be the mantra of the Republican economics 101 theme. More excessive profits for oil companies which have translated into $5 at the pump.

The bottom line is, we don't want more of the same. That is why it does matter how we got here. We do not want more of the same. The American people cannot take more of the same. Enough is enough. That is certainly what the people in Michigan are saying.

Let me specifically speak to what has occurred this week. On Monday, Lehman Brothers filed for the largest bankruptcy in American history. This collapse will hurt the people of Michigan, hard-working Americans' ability to access credit, and could very well deteriorate pension plans. For example, we heard yesterday the city of Detroit's general retirement system that has invested in the bank could lose as much as $25 million. I am sure that is only one example. Imagine what would have happened if President Bush had succeeded, with JOHN MCCAIN's support, in privatizing Social Security. I will never forget what happened after Enron, when I had former employees come in to me who had lost everything, trusted the company, invested in the company, lost everything. They said: Thank God for Social Security. It is the only thing I have left.

Imagine if the Republican philosophy of privatizing had happened. One of the things I am most proud about in working with our Democratic leadership and our majority is we were totally together in blocking the President from proceeding. It was one of the most important achievements as a Democratic majority, stopping the President, JOHN MCCAIN, and others who wanted to privatize Social Security. We now know that the failure of Lehman Brothers occurred as Bank of America announced it was buying Merrill Lynch and the Federal Reserve announced it was taking over the world's largest insurer, AIG, for the staggering cost of $85 billion. Washington Mutual is still struggling to survive their investments tied to the mortgage market. As a result, we have all seen the Dow Jones drop more than 500 points on Monday, the biggest drop since September 11, 2001. Wednesday it dropped almost 450 points.

Most importantly is how this affects families, how it affects middle-class Americans who are working hard every day. They are playing by the rules. They expect our Government to enforce the rules and enforce accountability. They are being hit with the highest unemployment rate in 5 years. It went up again yesterday, unbelievably, to now in Michigan an 8.9 percent unemployment rate. That doesn't count people who have been unemployed so long they are not a part of the system anymore, or the people who are working one job, two jobs, three jobs, part-time jobs trying to hold it all together, hoping maybe one of them will have health insurance, maybe just one of them, for their families.

We have seen record home foreclosures for families, skyrocketing gas and grocery prices. These are the consequences of the reckless policies I am most concerned about.

Despite these conditions, our colleague JOHN MCCAIN responded—and he said it more than once; 16, 17 times at least that I know of—the fundamentals of the economy are strong. He is now saying that he meant the American people, the American worker. I know the American worker is strong and productive and hard-working. But we all know that is not what was meant by that comment, the fundamentals of the economy are strong. He and Herbert Hoover share those comments, the gilded age of the 1920s, when the wealthy got wealthier and wealthier and wealthier, until the system crashed and a great Democratic leader, Franklin Delano Roosevelt, came into office and put the American people first, put people back to work and created Social Security and began to rebuild the country. We are at one of those times where we need that kind of leader to rebuild for the American people and create jobs and put people back to work.

I would like Senator MCCAIN and others who believe the fundamentals of the economy are strong to tell that to 84,000 Americans who lost their jobs or the 91,000 families who lost their homes last month, or 605,000 people who lost their jobs since January, 605,000 good-paying American jobs and counting since January.

Now we hear the solution is to create a commission or to study the problem. That is what we need, to study the problem. We know what the problem is. The problem is, we need to get people back to work. We need to stop this failed Republican philosophy that has made the rich richer, while picking the pockets of every middle-class American and making those in poverty find more and more desperation every day. We know what is happening. We don't need an economic study to tell us that Phil Gramm, a former colleague of mine, chairman of the Banking Committee, was wrong when he said it is a mental recession. We are not making this up. We certainly are not a nation of whiners.

So the question is, how did we get here? Unfortunately, this does relate to failed policies. One example was under the Republican Congress when Senator MCCAIN's former economic adviser and friend, Senator Phil Gramm, slipped a provision called the Enron loophole into an 11,000-page appropriations bill on a Friday night before a recess. That provision allowed financial institutions to trade an unlimited amount of energy commodities in the dark in over-the-counter markets that are beyond the jurisdiction of the Commodity Futures Trading Commission. Only now, with our Democratic majority, have we begun to get accountability back because we have closed that Enron loophole.

However, trading on the bilateral swaps markets, the complicated financial markets, the electronic trading facilities are still being conducted in the dark with no transparency, no regulation, no accountability for investors, no accountability for the American people. The Commodity Futures Trading Commission only has the power to get information on these markets on an ad hoc basis. So speculative investors continue to pour money into markets without any oversight.

Yet Republicans continue to oppose more authority and resources to the CFTC. We have a bill on the Senate floor right now, a speculation bill to stop speculation, that includes providing more authority and resources to the CFTC, and it has been filibustered by Republican colleagues.

This just reiterates the failed philosophy of this President, President Bush, of JOHN MCCAIN, and Republican economics that believes in less oversight, less accountability, and more greed at the expense of the American people.

Mr. President, we have had enough. Nowhere is it seen more clearly than in the housing market, which is the root of the crisis. The lack of regulation and accountability by the Bush administration has allowed predatory lending to flourish. It is important to note that clear back to 1994, Congress gave the Federal Reserve the authority to prohibit these unfair, deceptive lending practices, and they waited 14 years to implement this authority—14 years.

Mr. President, I know my time has come to a close, so I will not go through all of the other things that have happened—the times the Democrats have proposed legislation, the warnings we have given, the fact we have tried over and over and over again to pass housing legislation.

I was here on the floor of the Senate when a Republican colleague talked about the fact that we finally passed housing legislation. But do you know what? We took way too long. The bottom line is this: We have been trying time and time again to enact changes, to bring accountability on behalf of the American people, and we have been blocked over and over again. It is important the American people understand we can do better than these failed Republican policies. It is time for a change.

Thank you, Mr. President.

The PRESIDING OFFICER. The Senator's time has expired.

The senior Senator from New Hampshire is recognized.

Mr. GREGG. Mr. President, obviously, I rise to express some differences of opinion with the prior two speakers, but I want to speak more generally on the issue of where we stand relative to the financial markets. But if ''doing better'' is to follow the proposals of Senator OBAMA, which have been estimated by a very legitimate estimating source to include over $300 billion of new spending annually on new programs that are unpaid for, I do not think that is doing better. If ''doing better'' is to follow a path where we raise taxes on the American people, especially small businesses, I do not think that is doing better.

If ''doing better'' means you approach an issue which is as deep and as significant as what we confront today in the financial markets with a lot of partisan rhetoric about the failure of the Bush administration to make the stock markets function correctly, when this Congress has been controlled by the Democratic Party for 2 years and had more than ample opportunity to address the restructuring of the regulatory entities, and, in fact, proposals were made to restructure Fannie Mae and Freddie Mac, which were rejected by Members from the other side of the aisle, by legitimate leadership on our side of the aisle on that issue, that is not better.

The Nation today confronts a very significant fiscal issue. The finance houses of New York are in disarray, the credit markets are locked down, and the American people and the world generally are very concerned about their assets and how they are protected and whether they are going to be able to continue to be liquid and viable.

It is not constructive for the Senator from Rhode Island to come to the floor and start pointing to the Clinton years as showing a huge run-up in the stock market and the Bush years as showing a flat stock market, and in the process ignoring the Internet bubble of the late 1990s, which drove the stock market down radically in 2001 and led us into a recession. That run-up occurred under the Clinton years and, obviously, they benefited from that, and the Bush years, regrettably, got socked with a recession.

That is not constructive. It is not constructive to put charts up that claim an economic recovery has not occurred since the Internet bubble burst and the 9/11 attacks occurred. In fact, over the last 6 years, Federal revenues were up until about 5 months ago when we hit this significant economic slowdown. Federal revenues had reached historic highs. We had seen 3 years of the greatest increase in Federal revenues in the history of this country as a result of tax law that encouraged entrepreneurship, encouraged people to do things which are taxable.

Job creation was pretty significant too. Over 8.5 million jobs were created over that time period. Yes, jobs have been lost, and that is not good, in the last few months. But to put that in the context of a partisan atmosphere which says this is all the functioning of an administration, when Congress controls the purse strings and Congress controls a large part of the policy and

Congress is controlled by the Democratic Party, is inappropriate, in my opinion.

Furthermore, if you want to look for culprits, the real culprit of this economic disorientation we are going through is that credit was made too easy for too long and, basically, borrowing became an inexpensive event, almost a zero-cost game because of the interest rates which the Fed maintained over a long period of time at such a low level—the Federal funds rate—and, as a result, these dead instruments which were written on real estate were written in a way that basically neither looked at the underlying asset or equity value to support that debt instrument nor looked at the fact in the outyears—as those instruments required reasonable return through interest increases—whether the borrower could support them. So we have had this huge dislocation, this meltdown in the subprime market, which is being followed on by other real estate instruments.

So it is not constructive, and it is certainly a reflection of a lack of leadership when the only answer on the other side of the aisle is to come forward and start claiming they are pure and this side or the President is not, when, in fact, there is more than enough blame to go around as to how we got into this situation.

The Federal Reserve deserves a lot of that. We in the Congress deserve a lot of it for not doing our job in oversight. And, obviously, the administration deserves a lot of it. But it is not unilateral in its placement, to say the least.

So how do we get out of this? Well, I think, first off, we ought to acknowledge that an aggressive effort is being made by the Treasury Secretary and by the Chairman of the Fed to try to control the damage. When they have seen entities such as Freddie Mac and Fannie Mae or entities such as AIG—whose failure would have a systemic effect which would roll through the financial markets of the country, destabilizing not only those businesses but also banks down the road and, in the end, Main Street, and cost Main Street jobs, and cause tremendous disruption on Main Street—they have stepped in and stepped in aggressively. I respect what they have done, and I have supported what they have done.

The markets have also, basically, to some degree, reflected the fact that at least in the Fannie Mae and Freddie Mac area, this was the right action. They still have not digested the AIG issue.

While we are on the AIG issue, I think it is important to point out that we have heard the statement that it is an outrage that $85 billion is going to be put in to basically take over this insurance company—the largest in the country. Well, first off, that money does not come from the Federal Treasury. It comes from the Federal Reserve. The only way it is going to appear on our books, on the Federal Government's books relative to the budget of the United States is if the Federal Reserve pays us less in profit than they annually pay us—and they annually pay us about $25 billion—because of the cost of that action.

Secondly, what the Federal Reserve did was not bail out AIG. They wiped out, for all intents and purposes, the stockholders. All you need to do is look at the primary stockholder in that company, whose net worth dropped by $5.8 billion—which is the report I saw yesterday—as a result of this action. That is a pretty deep loss: a $5.8 billion individual loss. In addition, it is likely the senior debt will lose their position, and it will be wiped out. What will happen is that the parts of that company are going to be sold off in an orderly way, and it is very likely a large part, if not all, of that $85 billion will be recovered and the Federal Reserve won't end up with any cost on its books and may actually make some money on this action. But in the process, more importantly, they will have done an orderly unwinding of that company so you do not have a meltdown of that company, which would lead to a downstream, catastrophic event for literally hundreds of banks in this country—small banks, especially—that have used the AIG insurance to basically solidify the capital on their books. If those banks fail—and they might well have failed if AIG had gone down in an implosion—then Main Street would be affected and jobs would be lost and people would be dramatically impacted.

So this was an effort to pay some money now up front in order to avoid big damage down the road. In my opinion, it was an effort that had to be taken. But for Members of the other side of the aisle to come here and start pounding their chests about how outrageous it is that $85 billion is being spent in this manner, either they do not understand the issue and understand what happened here or they are misrepresenting the issue and in a way that is truly not constructive to settling the markets or to getting a resolution that will be positive.

We still have an issue, and it is fairly significant. The issue is that the underlying credit in the mortgaged area—mortgage-backed securities—is locked up. It is virtually impossible to move these securities off the books because nobody knows the value of these securities. As a result, the marketplace is not working correctly and you cannot move money and you cannot make loans and you cannot get economic activity and thus you cannot create jobs. The engine of our economy has always been our real estate industry.

So we as a government have to be thinking about how we should address that. It may take some significant creativity. I respect the chairman of the Banking Committee in the House who has openly said maybe we should take another look at something like the Resolution Trust Corporation which we had in the 1990s. This may be the type of vehicle we have to take a look at. But to accomplish that, we have to have a mature approach. We have to have an approach that is not a juvenile, partisan attack coming from the other side on initiatives which might constructively resolve this or at least should be debated in an atmosphere where there is some sort of seriousness about the debate besides hyperbole and political advantage trying to be scored.

I am willing to acknowledge and openly acknowledge that I respect the fact that Congressman FRANK has put this concept on the table. It would be nice if somebody on the other side of the aisle who had spoken today—and I did not hear anybody—had come forward and said they respected the fact that the Secretary of the Treasury had been willing to take some aggressive action to try to stabilize Fannie Mae and Freddie Mac and AIG for the betterment of this country and our economy, but all we are hearing is hyperbole, unfortunately. It is time we had some adult reflection on this around here. Yes, it is an election year.

Mr. President, I ask unanimous consent for an additional minute.

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

Mr. GREGG. Yes, it is an election year, and we know it is a Presidential year. We know everybody is trying to score points. What we are dealing with here is so big and so important to every American—basically, the fiscal solvency of our Main Streets and the fiscal solvency of the banks that support Main Street—that we can't allow ourselves—or we should not allow ourselves—to devolve into this type of hyperbole and partisanship. It would be nice if people around here would be willing to sit down and acknowledge that there are thoughtful ideas coming at this and there are creative ideas, but they are also going to be controversial; and that in the atmosphere of high partisanship, which I have heard this morning on this floor, we are not going to be able to discuss intelligently thoughtful, creative, and bold ideas because they are going to be savaged by petty partisanship.

We have a job before us as a Congress. Clearly, the Secretary of the Treasury is engaged and the Chairman of the Fed is engaged, and I hope the Congress will get engaged fairly soon, as well, in a substantive and positive way.

I yield the floor.

The PRESIDING OFFICER. The junior Senator from Florida is recognized.

Mr. MARTINEZ. Mr. President, I ask unanimous consent to speak for up to 20 minutes.

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

Mr. MARTINEZ. Mr. President, I thank my colleague from New Hampshire. His remarks are right on point. I appreciate the tenor of what he is saying, and I thank him very much for his mature and sober judgment.

This is a moment when we should be talking about solutions. This is a serious moment in America. We have hit a very serious financial crisis in this country. The fact is—well, this morning, I was speaking to a group of bankers, a group of business people, and their concern is heightened. What they are seeking is for Government to, first of all, try to provide a backdrop of assurance to the American people. One of the gentlemen I was speaking with was saying his office is getting deluged with phone calls from concerned investors who are wondering if their lifetime of savings is going to be eroded and go away. So what should we do at a moment such as this? Should we heighten the level of tension and crisis or should we talk in mature, serious tones about the need to come together as Americans first, Republicans and Democrats second—as Americans first—to try to find solutions?

I have seen a lot of finger-pointing. I have heard a lot of blame assessing. Much of it I find as logical as blaming President Bush for hurricanes, and sometimes I wonder when that will begin to occur.

Obviously, there have been things that have been done that have not been right. Maybe now we recognize and we can all come together around the idea that we do need a new regulatory framework for our Nation's financial institutions. We have been going on the same ones that were existing since the Great Depression and days after that. So this has now focused our attention on the need for finding ways in which we can find a way of better regulating financial institutions so we can avoid systemic risk—systemic risk—a risk to the financial system.

For those who are playing the partisan game, the big charge seems to be that somehow this administration was against regulation. Well, not to take the other side and become partisan, but let me try to set the record straight a little bit and talk about what happened. I was a part of this administration for the first 3 years of it. During that time, I and other members of the administration, including the then Secretary of the Treasury, Secretary Snow, and others made a mighty effort to try to get the Congress's attention to begin the process of regulating Fannie Mae and Freddie Mac. Now, anyone who looked at that situation—and it was part of my responsibility as HUD Secretary to partially regulate those entities—knew I did not have the authority to regulate them; that the laws were written in such a way that it made it impossible to have an effective regulator over these two giant and growing entities, and their growth has been dramatic, or was dramatic, from the time after I left HUD until the time of their collapse and Government intervention took place. They continued to grow tremendously.

It is very clear there were efforts by Republicans to try to regulate these entities and there was equally strong and better constructed efforts by Democrats to not regulate them and to allow Fannie and Freddie to continue business as usual. Finally, this year, we came together—and I commend Chairman DODD and Chairman FRANK for leading both committees of the House and Senate so we could come together in a bipartisan effort to regulate these two entities. Now, if I had had it my way, that regulator would have been stronger and even more capable than the one we put in place, but thank goodness we did act and we created a regulatory scheme. It was a little late to save them because by then the horse was out of the barn. Had we regulated them back in 2003, when I testified before the Banking Committee of the Senate, the Financial Services Committee of the House, maybe we could have begun a new regulatory scheme then, and we could have today perhaps been in a position where those entities would not have had the problems that they ran into. Our efforts were not taken very seriously at the time, and the record is pretty clear about who was in favor of regulation and who was absolutely dead set against it.

The fact is it does no good for us to today, in the midst of this enormous crisis, to be sitting around finger-pointing and trying to score points. The bottom line is we have a problem ahead of us, and the best thing we can do is to utilize sober judgment to try to come together, as I said, as Americans—not Republicans, not Democrats but Members of the Congress, Members of the Senate who have taken an oath of office—to try to do the right thing by the people whom we represent. How can we address this problem? What can we do? In fact, it may not be that there is much we can do. This is not a governmental problem at this moment in time. There is a need for us to look and see what the future of Fannie Mae and Freddie Mac is going to be. Do they belong as a half private, half governmental agency? Does it make any real sense for them to be partially beholden to their shareholders and partially beholden to the taxpayers? I am not sure it does. So we will need to legislate on that issue in a serious manner as to what the future of those entities should be.

Here is one suggestion I would make today as to how we might begin to ameliorate the problem and how we might begin to work together, bipartisanly, to try to find an answer. I believe, from talking to people in the financial world, that one of the serious needs of today's problem, that would begin to ease all these problems, is for us to begin to look to ending the enormous surplus of unsold homes. The fact is people are not buying houses. The fact is there is an oversupply. The fact is supply and demand is out of whack. So perhaps we could, through tax credits, encourage people to buy homes, to purchase homes, providing them with essentially a tax credit that would encourage them, through the tax system, to purchase a home at this moment in time. If the inventory were to be drawn down, if we had fewer unsold homes sitting in the market, it would make it much easier for the marketplace to then begin to find a bottom—a price floor—that could then begin to ease the burden on all these financial institutions that are holding paper that today is not worth what they thought it would be.

I wish to shift subjects, but before I do, I would make a call that we try to temper a little bit our desire to score a point today on the backs of the American people who are frightened and who are concerned—and rightfully so—about a very difficult problem and try to, rather than finger-point, join hands; rather than finger-point, let's put our hands together, Republicans and Democrats, to work together toward a solution, toward some honest-to-goodness effort. That is what the American people expect of us. That is why they sent us here, to work together to solve problems; not to try to assess blame and not to try to score political points.

PUBLIC SAFETY

Mr. MARTINEZ. Mr. President, I wish to talk about another matter which has to do with the public safety of our people. Public safety is among the highest priorities of Government. Americans should feel—and have a right to feel—safe in their homes, their neighborhoods, and their communities. Although the national violent crime rate has dropped substantially since 2000, we know any crime is too much crime. As elected officials, we ought to do what we can to prevent criminal acts.

In recent years, my home State of Florida has, unfortunately, seen a rise in violent crime—a very sharp increase. If we look at the numbers in recent years, there is a clear trend: The murder rate in Florida rose more than 28 percent in 2006 and another 6.5 percent in 2007. Instances of armed robbery increased by 13.4 percent in 2006 and nearly 12 percent in 2007. So while the overall crime rate rose only 1.4 percent—and it was the first time in more than a decade—we did see a rise in violent crime.

Many of the crimes committed in Florida are being committed by those with prior records and those who are already fugitives from justice. A U.S. Marshal—a good friend—told me fugitives from justice posed the most risk to society because they have to keep committing crimes in order to keep going and crime then becomes their livelihood.

So that is why, since the creation of the U.S. Marshals Service, their priority has been to capture fugitives. They work closely with local and State law enforcement agencies, they devote the resources necessary to track fugitives across State lines, and they have