

the long run. It leads only to inflation and speculative excesses in the credit markets that might harm the economy, and probably will. Only by focusing on a stable currency can the Federal Reserve achieve both its objectives.

We also need to completely rethink Fannie Mae and Freddie Mac. As we have heard countless times over the last few weeks, in creating these two government-sponsored enterprises, we have made sure the benefits of their investments are private while all the risks are public. Put simply: This is bad policy with considerable moral hazard.

Fannie Mae and Freddie Mac together represent an immense government-created and government-coddled duopoly. In the years since their creation, they have focused mainly on their own expansion, recklessly urged on by many in Congress who believed this was the way to make home ownership more affordable for low-income families. However, as a recent Fed study has demonstrated, most of the benefit of the previously implicit—now explicit—Federal guarantee of their debt has gone to their shareholders as higher earnings, not to reducing costs for new homeowners. In their efforts to expand, Fannie and Freddie took too many unwarranted risks. They needed an ever-expanding supply of new mortgages to package and resell and to hold for income. Others fed this expansion effort with unsound lending.

The recent Federal bailout of these institutions requires an immediate step: an end to their lobbying to Congress. It is a little late in coming, but as of right now, it is essential. We need to stop insisting that Fannie and Freddie have an ever-expanding role in the housing market. We should also consider breaking each of them into separate pieces to promote more competition and to ensure that no one part of them will ever again be too big to be allowed to fail.

The regulatory and rating agencies also need to be reviewed. We need to ask whether they have enough resources for adequate supervision and whether they have failed to recognize the evolutionary changes in the credit markets and the new business arrangements that reduced transparency in financing. These and other questions will have to be explored as we move forward.

Congress must also recognize its responsibility to help the economy grow. I, for one, would like to see some willingness among the Democratic leaders to enact policies that are actually intended to spur long-term economic growth in our country. It is simply appalling that the United States has the second highest corporate tax rate in the industrialized world. Yet it is almost sacrilegious among Democrats to consider reducing those rates in order to spur growth among our Nation's businesses and employers. Capital gains in this country are taxed at a

higher rate than they are in many countries throughout the world, and all we hear from Democrats are proposals to increase taxes on capital gains and dividends, which, as history has shown, creates disincentives for investment. During these months of slow economic growth, it has been our exports that have kept our economy afloat. One would think this should incentivize Congress to promote free trade with our allies throughout the world. Yet we have consistently seen efforts to open our exports to foreign markets stalled by the Democrats in Congress.

Finally, we spend \$700 billion a year to purchase oil from outside the United States. But if you looked at any of the so-called energy bills we have considered in Congress, they do not contain any provisions that will actually increase oil production at home, except the bill we Republicans offered here a month or so ago.

We clearly need to reform our financial markets and refine the powers of the Federal Reserve in order to ensure crises such as this don't happen again. And though I hesitate to support the idea, it is not unreasonable to conclude that the proposed bailout can provide immediate relief and prevent any more catastrophic losses in the near future and give the financial market time to sort out the mess. But if we don't adopt policies that are pro-growth, pro-business, and pro-job creation, we won't be able to ensure long-term economic security for our country, no matter how many bad mortgages we purchase with the taxpayers' money.

These are indeed difficult times for our financial markets and the housing sector of our economy. I agree with my colleagues that we need to act fast. I only hope that, as we work toward a solution, we do so according to a timetable that is appropriate to the problems we face and not one based on election year expediency. I also hope that we can consider the long-term implications of our actions and consider the future as well as the present.

INTELLIGENCE OVERSIGHT

Mr. INOUE. Mr. President, on September 11, the senior Senator from Missouri, Mr. BOND, came to the floor to introduce a resolution which suggests that the Appropriations Committee should establish an Intelligence Subcommittee. While I don't agree that this would be beneficial to either the Senate or the Nation, the Senator, of course, has a right to his opinion.

I would inform my colleagues that the leaders of the Appropriations Committees, Senators BYRD and COCHRAN, who are responsible for the division of labor on the committee addressed this matter in a letter they sent to Senators REID and MCCONNELL earlier this year.

Rather than debating this matter I would just point out that the chairman and ranking member make a very compelling case in opposition to this pro-

posal articulating the significant damage to intelligence oversight that could result from the proposal offered by Senator BOND. I would like to highlight one observation from their letter. They point out that the proposal that the Senator makes would have the effect of further limiting the number of members who have access to the details of intelligence programs. It would put all decisionmaking into fewer hands. They suggest that for intelligence programs in which the general public, the watchdog groups, and the press must be denied access to the information, the absolutely worst thing the Congress could do would be to further constrain oversight and eliminate the benefits that come from having more individuals share responsibility in the decisionmaking process. I share their view that the proposal made by the Senator from Missouri would not improve congressional oversight of intelligence.

My colleague from Missouri spoke eloquently and passionately about the tragedy of 9/11 and the impact it had on him and this institution. On a personal note, I would like to thank him for the kind words he expressed about me and my role as chairman of the Defense Subcommittee. Senator BOND and I have served together on the Appropriations Committee since he joined us in 1991. He has served the committee in a number of key areas including on our Defense Subcommittee, but most notably as chairman of the former VA-HUD Subcommittee and currently as the ranking member of the Transportation-HUD Subcommittee. On the Appropriations Committee we have come to count on him for his expertise and sound judgment in these areas. As such, I must say I was surprised by some of the characterizations he made regarding action on classified programs.

Senator BOND noted that billions of dollars has been spent on technology programs which, as he described, "never get off the ground." I concur with this description and share his concern. He rightly blamed executive branch officials for many failures. But in so doing he failed to note that the Congress, including the Intelligence Committee, reviewed these programs for several years and authorized funding for them.

He discussed a program that he referred to as a "silver bullet." If I am right in assuming which program that is, I would point out that the Intelligence Committees, Appropriations Committees, and the intelligence community all originally supported the program. While the Senate Intelligence Committee soured on the program a few years ago, it remained supported by the House oversight committees, the Senate Appropriations Committee, the Director of National Intelligence, the Secretary of Defense, the Under Secretary of Defense for Intelligence, and the Chairman of the Strategic Command. But, yes, it was expensive. When a new DNI, new Secretary, and

new Under Secretary assumed their posts, they determined that it simply wasn't affordable.

The Senator from Missouri postulates that it didn't work. Since it was not completed, we will never really know, but no one involved in the program in DoD and the intelligence community ever contended it wouldn't work. It was cancelled because the executive branch determined it wasn't worth the continued investment. By cancelling the program as urged by the Intelligence Committee, the Government did, to use the Senator's word, "waste" billions of dollars. But this is not the only example of problems in this community.

One notable program that was finally killed by the administration in the past few years on which significantly more funding had been spent was strongly supported by the Intelligence Committee from the program's inception. The committee had even suggested that this program could partially serve as an alternative to the program referred to above. It had been behind schedule and overbudget for years, but it continued to be supported by the executive branch and the Congress with the hope that it could be saved. Eventually, the administration realized that technically it could not be made to work, and it was cancelled.

For the Senator to claim that it is the appropriations process which is so disconnected from the workings of the Intelligence Committee that billions of dollars come to naught puts the blame squarely on our committee for the failures which have occurred. This is not only unfair, but it is completely inaccurate.

Mr. President, while the Senator and I may disagree on the relative merits of programs, and while I am not particularly proud of the Government's record in recent years, the responsibility for wasting of billions of dollars is shared by all of us, the executive branch, the Appropriations Committees, and the Intelligence Committees.

The Senator attempted to link these past failures to a particular program which he advocates which was not funded by the Appropriations Committee this year. I would point out that the administration did not request funding for the program and that the Director of National Intelligence opposes funding the program. The funding sought by Senator BOND was not authorized by the House oversight committee. It was not recommended by the Intelligence oversight panel of the House Appropriations Committee.

Moreover, I would disagree with his characterization of the action by the Defense Subcommittee on this subject. We recognize that several members of the Intelligence Committee feel this would be a worthwhile program. Senators STEVENS, COCHRAN, and I considered the actions by the Intelligence Committee on this and many other programs very carefully. To address the concerns of the Intelligence Com-

mittee, we reallocated a substantial sum of money from other programs and provided an amount with which the intelligence community could fully fund the program that Senator BOND advocates. However, we didn't mandate that outcome. There is disagreement within the community about the proper approach which should be taken. In recognition that a new administration will be taking office, we requested that the program supported by Senator BOND be analyzed along with those of other contractors and the best option or options be selected next year.

We felt we met the Senator halfway. We recommended sufficient funding which could be used for this program even though it was funded by neither the other intelligence oversight committees nor the intelligence community.

We are familiar with the program in question. We believe it may have merit. We have confidence in individuals associated with the program, but we also are aware of those with great technical expertise who argue that the program will not work for technical reasons which I cannot discuss in unclassified session. We believed locking the intelligence community into another multibillion-dollar sole source contract when there are legitimate questions about its potential is probably a mistake. To imply that this program has broad-based support and that it is the Appropriations Committee which is out of step is categorically inaccurate.

It is somewhat ironic that the Senator from Missouri is urging support for responding to the recommendations of the 9/11 Commission while at the same time he is telling the Senate to ignore the judgment of the Director of National Intelligence who was established and empowered to make such decisions as the principal recommendation of the 9/11 Commission.

Finally, I would note that the Senator claimed that the root problem is that the Appropriations Committee simply does not have enough staff to pay adequate attention to intelligence.

The Defense Subcommittee has a small staff and the Intelligence Committee staff is fairly large. But I would point out that the Intelligence Committee has one professional staff member on the majority staff who reviews the budget for the National Reconnaissance Office; so do we. The Intelligence Committee has one professional staff member on the majority staff who reviews the budget for the National Security Agency; so do we. Moreover, the staff which the Defense Subcommittee devotes to overseeing the intelligence budget has far greater experience in reviewing budgets than does the staff of the Intelligence Committee for such programs. I would also point out that several other subcommittees on the Appropriations Committee have jurisdiction over portions of the intelligence budget. To single out the Defense Subcommittee misses one of the

key points of the appropriations process: that many individuals have oversight over these matters.

I don't want to stir up passions on this issue any more than I may already have. I have the greatest respect for the workings of the Intelligence Committee. Many of my younger colleagues may not be aware that I served as the first chairman of the Intelligence Committee. I am proud of my service on that committee. I believe the work that Senators ROCKEFELLER and BOND do is extremely important to the Senate. I believe they have a very competent staff. Since I resumed the chairmanship of the Defense Subcommittee last year, I have directed my staff to work closely with the staff of the Intelligence Committee to ensure that we have the benefit of their expertise and to minimize any disagreements between our two panels, and they have done so. Our staffs attend many briefings together. Members of our staffs have traveled together to review programs. I believe we have established a good relationship that strengthens Senate oversight.

For example, there are literally thousands of line items in the intelligence budget. Our staffs spend countless hours discussing items which one committee or the other believes should be adjusted. We carefully review the classified annex of the Intelligence Committee and provide recommendations to the Appropriations Committee which are very close to those of the Intelligence Committee. This year we had two issues out of hundreds of items under review on which we disagreed. On one we were able to reach an agreement easily. The other has been described in vague terms above.

Last year, Chairmen BYRD and ROCKEFELLER, Ranking Members COCHRAN and STEVENS, and I signed a significant memorandum of agreement between our two committees pledging greater cooperation. Senator BOND chose not to be party to that agreement. Since that time the signers and their staffs have tried to live up to the letter and the spirit of that pact. I believe we have been generally successful and the Senate is better served that two separate panels are continuing to review the intelligence budget but working together and generally resolving our differences amicably.

It is rare for me to openly disagree with another Member. I want to assure all my colleagues that I do not mean anything personally by my statements today. However, the assertions and implications that were levied against the Appropriations Committee earlier this month were simply untrue. At times all of us can become passionate on matters which we care about. Perhaps that explains why such inaccuracies were offered as facts. Regardless of the reason, I felt it was my duty to come to the floor today and correct the record.