

With the tax filing deadline just around the corner and many Georgia families struggling to figure out how they will pay off Uncle Sam this year, now is the time to do away with our terrible tax system, scrap this tax-and-spend mentality so we can go about a better way to get this country back on track.

Mr. Speaker, I would submit that one great way to reform our tax system would be to institute the Fair Tax, which I'm an ardent supporter, a system that would replace all Federal taxes with one single retail sales tax. Just imagine the money that would flow into our economy if hardworking Americans were actually allowed to keep more of their money that they earned, if they didn't see increasing amounts being taken by a government that can't even pass a balanced budget, much less operate on one.

□ 1730

However, it would be foolish to only discuss reforming our tax system without addressing its soul mate, and that is government spending. Skyrocketing growth in government spending by both Congress and Presidents, regardless of political party, has grown to a level of astronomical proportions. Spending by the Federal Government has more than doubled since 1980 and tripled since 1965. Recent history has shown us that cutting taxes is not a viable solution if we do not also address our gluttonous spending.

This government exists for the sole purpose of serving the people, but for too many years, government has been merely serving itself. It has taxed and spent itself into a debt that shows no signs of receding.

You see, this is something that seems to have been forgotten by Congress and by this administration. To spend these huge increases as they are proposing, they must first take it way from people through taxes. And what happens when there are not enough taxes to cover all the increased spending? They simply increase taxes, often through new and creative methods, while also increasing our Federal debt.

In 1930 the U.S. Tax Code was a brisk 500 pages long. Today it has swollen to more than 45,000 pages, full of provisions that too often produce negative results. A Fair Tax system, empowering the American people to decide how much taxes they'll pay through their own purchasing decisions, will force this spending-engorged government to change their ways and enact fiscally responsible budgets.

In addition, a Fair Tax system will move the responsibility of taxing citizens back to the States, simplifying the process, and remove the temptation by Congress and the administration to feed their growing appetites at the smorgasbord that is our current tax system.

Often when I'm at home talking with my constituents in Georgia about taxes, I tell them if 10 percent is good

enough for the Lord, it ought to be good enough for Uncle Sam. We have to reduce the size of government and government spending to achieve this heavenly goal. Under the original intent of our Constitution, 10 percent would be more than enough to fund all of the functions of the Federal Government as envisioned by our founders.

I call on my colleagues to listen to the American people who are demanding a better system. We can and should give it to them by reducing Federal Government spending and reforming our tax system by enacting the Fair Tax.

I congratulate my dear colleague from Iowa for allowing me to speak and bringing this very, very important issue to the forefront of the American people.

We have to stop spending. We are spending too much. We are taxing too much. We are borrowing too much. And it's going to kill our economy. I call this a steamroll of socialism being shoved down the throats of the American people that's going to strangle our economy. It's going to slay the American people economically if we don't stop it. Thank you so much.

Mr. KING of Iowa. I thank the gentleman from Georgia for coming down and joining in this discussion, Mr. Speaker, and I am hopeful that we will have many more like this.

I want to reiterate a point that I made at the conclusion of Mr. LINDER's delivery, and that is, as he went down through the list of all the taxes that get eliminated, corporate and personal income tax and payroll tax and inheritance tax and the list goes on and on and on, the Fair Tax provides an incentive for earnings, savings, and investment. Here's my point, and I want to make this clear and I will stand on it and I'll defend it and I have made this statement across the country, and it is this: The Fair Tax does everything good that anybody's tax proposal does that is good for our economy and the American people. It does all of them and it does them all better.

Now, that sounds like a real big position to take, and I'm taking it because I'm solid in that, and I'm happy to debate that. I'd be happy to debate anybody from the other side of the aisle that can come over here and tell me that any part of that's wrong and then let's have that discussion. When you take the punishment off of people who are producing, earning, saving, and investing, and you let them earn, save, and invest all they want to produce, and then you provide that incentive for that savings and investment on the other side, as John Linder said, the Fair Tax eliminates the taxes on capital and labor.

Now, Adam Smith said the sum total of the cost of anything that you produce or buy is the cost of the capital plus the cost of the labor. But we are taxing all capital and labor in America under the Federal income tax along with the whole array of other

Federal taxes that we have. We have to be able to give that all back and let people earn, save, and invest all they want to earn, save, and invest. And I just urge that this Congress take a look at this Fair Tax. And let's get some hearings. Let's get something moving through the Ways and Means Committee. Let's continue to make this point.

Also, I will say this: I came to this conclusion in 1980. That's 29 years ago. I have looked at this Rubik's Cube of the Fair Tax every way I can possibly turn it. I turn it one way and another way. The colors show a little bit differently, but every time I turn it again, it looks better and better and better. The more I know about it, the better I like it. And I don't know if anybody has studied it as long as I have, 29 years, before there was anybody that had any science, any background on this. I took this to the people and economists and the tax lawyers that I knew.

I yield to the gentleman from Georgia.

Mr. BROUN of Georgia. I thank you for yielding.

I want to just point out that you have been a leader on this Fair Tax and trying to offer solutions. Republicans have offered solution after solution after solution to energy, to housing, to taxes, to the spending; and the leadership has totally denied us from bringing this forward to the American public. And I congratulate you for being a leader in this regard.

Mr. KING of Iowa. I thank the gentleman from Georgia and all the participants.

THE SUBPRIME HOUSING CRISIS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 60 minutes as the designee of the majority leader.

Ms. KAPTUR. Mr. Speaker, I ask unanimous consent to include extraneous material in the RECORD thereof as I proceed this evening.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

Ms. KAPTUR. Mr. Speaker, as our economy continues to oscillate, and the world markets with it, it is good to remind ourselves of some economic fundamentals so we can fix what ails us. Let us return to the opening fact: The proximate cause of America's downturn is the subprime housing crisis. It is not abating. Until America addresses that, our economy will continue to bleed.

Washington is obstinately refusing to address that head-on. Six thousand six hundred homes enter foreclosure across this country every day. That is one home, one family every 13 seconds. Instead, Washington seems to still be just picking at the edges of the glaring headlights facing us.

The President today, in the wake of AIG's giving AIG executives hundreds and hundreds more millions of dollars, taxpayer dollars, in bonuses, has stated the need for overall financial regulatory reform. He is right. America needs more than executive bonus reform, however. That only represents a wart on a very large elephant, of hundreds of billions and, indeed, trillions of dollars irresponsibly managed and the burden of resolution being put on our taxpayers, on their children, on their grandchildren. The executive and legislative branches of our government must dive in and reform this out-of-control financial marketplace. The Republic and our citizens deserve no less. The question for history is whether this Congress will meet its constitutional obligations to protect and defend the Republic.

It is time that Wall Street and the megabanks saw the writing on the wall. Yet they seem hell-bent at resistance. Wall Street's response of putting its head in the sand and their hands in our pockets should be over. AIG's bonuses are merely the latest sign, like a big canary in the mine shaft sign, of Wall Street's high arrogance and its real power, I repeat, its real power, over the American people and the institutions that govern us. The voices of the people are not being fully heard. Wall Street's latest racketeering and ransacking of our Republic trumps anything they have done in the past.

Let us recall the savings and loan debacle back in the 1980s when financial institutions dumped \$150 billion of their bad debts onto the American people, onto their children. It was a huge load. In fact, we're still paying it. It became the third largest share of our Nation's long-term debt. We're paying for it until today. It gets hidden in the overall debt but it's in there. But Wall Street and the megabanks had no remorse. They smelled blood. They got away with what they did. And they learned something from that fiasco. They were able to wash their hands of responsibility. They got away with it.

They then worked like eager beavers to change the laws of this country so that they could do even more. So much more. The savings and loan bailout marks the point in time when the largest financial institutions in this country figured out that they could push this Congress around and the President around, and they were emboldened by what they did. And they not only have ever since, and royally, I might add, but they have done so at a magnitude that is unprecedented. Who knows how deep the hole is this time around? They've already dumped \$700 billion of their bills already directly on the American people, six times more than the last time.

And on top of that, who knows really what debt the Federal Reserve is racking up in its hidden transactions, furiously assembled at its own counting house. Those secret transactions merely tell us how far out of control

our elected representatives have been distanced from the government they are sworn to defend against all enemies.

After the big banks were rewarded 20 years ago by forcing the public to pick up their dirty laundry, they enlarged their thievery during the 1990s with a vengeance. Once most of America's thrift and home loan institutions were destroyed along with the savings ethic that had been embedded into the law, the megabanks set in place a massive racket to exploit and draw down the accumulated savings that were left, you can call it equity, of the American people represented in their homes, in the housing market. Wall Street and the megabanks accomplished their goal. They drew down huge sums of equity from homeowners through scheme after conceivable scheme. Yes, they sucked out the value of what homeowners actually owned, not owed but owned, in their homes. Their schemes were masterful and they were morally wrong.

Look in neighborhood after neighborhood in this country. I bet your property values have come down. If you're not losing your home, you've been impacted by it. Your equity has been lessened. They got to you too. They got to almost every single household in this country.

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How did they do it? They had millions of schemes. Take widows' loans, widow, w-i-d-o-w. This was the rotten racket by which Wall Street's sharp-pencil boys preyed on grief-stricken women who had just lost their husbands, unethical moneymen at white-shoe Wall Street institutions like Citigroup, through its CitiFinancial, no less, drilled into that segment of the market for every penny they could exact.

They promised widows—and they followed the obituaries to find them—they promised widows that now that their husbands were gone, they needn't worry about their finances into the future. Just sign on the dotted line and an equity bonanza would be yielded to that widow.

They failed to mention that in a few years the widow's mortgage payments would more than double. But who was to worry? Tragic, yes, but true. Did it happen, yes, over and over and over again.

And those who worked for CitiFinancial across this Nation, and I am sure some are listening this evening, some refused to do that. They left their firms or they were terminated, but others did it.

And every time they did it, they got a bonus on that widow's refinancing. I can't imagine how those people can sleep at night. That's how they made their money.

Congress needs to hear from those widows. I know they are out there. What happened to them, in my opinion, was criminal.

So the subprime housing implosion is the proximate cause of our downturn. But I have a question, why is our government not fully using the normal institutions that could resolve the crisis on the books of the financial institutions involved, the FDIC, the Federal Deposit Insurance Corporation and the Securities and Exchange Commission. Why aren't we?

Last week we heard from the former chair of the Federal Deposit Insurance Corporation who served both Republican and Democratic Presidents back in the 1980s, Mr. William Isaac, who is published in *Investment Dealers' Digest* this week, an article I am going to quote from. He essentially resolved and successfully resolved over 3,000 insolvent banks back in the 1980s.

Every bank in Texas went down but one. Continental Bank of Illinois went down. He resolved those without a cost to the public. His answer to what we face is follows, a four-point alternative to the bailout bill. Implement a program that would ease the fears of depositors and other general creditors of banks. You do that through the FDIC and the Securities and Exchange Commission.

No. 2, you reinstitute restrictions on short sellers. You do that through legislation or the SEC could do that. They haven't.

No. 3, you could suspend or alter substantially mark-to-market accounting which has contributed to mightily to our current problems by marking assets to unrealistic fire-sale prices. We could authorize a net worth certificate program, that authority still exists. FDIC needs to use it.

We could settle the financial markets, he says, without significant expense to taxpayers. This would leave \$700 billion of dry powder we could put to work in targeted tax incentives, if needed, to get the economy moving again.

But why hasn't Washington done what he suggests? Perhaps it's because the megabanks and their Wall Street patrons relish the world of greed in which they float. And, frankly, they have worked very hard and spent billions in lobbying fees and campaign contributions to set up the world just the way they like it, and they have been rewarded handsomely. They are still being rewarded very handsomely.

They don't want to lose their grip. After all, they have figured it all out. From every angle, they know even that congressional elections are cheap. They are now the largest contributors, Wall Street, that is, to congressional elections and Presidential races. They figure about \$3 million a seat in here and a few hundred million for a President. You add those all up, it doesn't even equal what we put in to the AIG bailout for the entire Congress of the United States.

The castle that Wall Street built, and which it is defending now at all costs, was built at the price of great harm to this republic. I believe that the situation can right itself, but it will take

the American people taking back their power through us, those that they elect.

The situation we face did not happen overnight. As I stated, it grew out of the savings and loan crisis. And let's look back at the late 1980s and 1990s, in the 1990s, activities began and a plan was set in place by Wall Street and the largest money-center banks, and I will name them, JPMorgan Chase, Citigroup, Bank of America, HSBC, Wachovia and Wells Fargo—Wells Fargo and Bank of America down in Charlotte—to overleverage our U.S. housing market through such schemes as mortgage-backed securities and home-equity loans to make extraordinary profits and enrich executives, boards and their shareholders. We know some of their names, but it's amazing how they can avoid the public limelight.

The net result of their combined actions has been to indebt our Nation on the private side with our families and ultimately shift the cost of what they have done, their excesses, to the public realm.

The Wall Street and Wall Street-related institutions lobbied to change Federal laws, along with executive actions, that aided and abetted their plan. In 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act was passed into law with Congress hastening bank mergers, resulting in the further concentration of financial power in money center banks, most often leading to Wall Street.

And in local communities across this country, what happened was banks that had been headquartered in towns and cities began to disappear, as they were gobbled up by money center banks far from home. And communities across this country became derivative money centers of a headquartered bank a very long way home. Think about where you live. Think about what happened in your community.

With the passage of the Riegle-Neal bill, what changed was this, the traditional concept of community banking where residential lending took the form of a loan which was made on the time-tested standards of character, collateral and collectability, was transformed into a bond and then security, which was broken into pieces and then sold into, ultimately, the international market, where you can't even find it, largely through Wall Street dealers. Essentially, collateral was overvalued, the value of the house became overvalued.

Risk was masked and proper underwriting and oversight of the loans was dispensed with. Thus began the silent eroding of our Nation's community banks. They are not all gone, but they are fewer, and they are burdened unfairly by the economy Wall Street-money centered banks have delivered to them and us.

In addition, in the years of 1993 and 1994, there were changes made at the Department of Housing and Urban De-

velopment that removed normal underwriting standards. For example, HUD's mortgage letter, 93-2, "Mandatory Direct Endorsement Processing," gave authority to home builder-owned lenders like KB Mortgage and affiliate lenders like Countrywide to independently approve their own loans.

Then in 1994, HUD mortgage letter 94-54 allowed lenders to select their own appraisers. How do you like that?

Secretary of HUD Henry Cisneros, upon departure from the Department of Housing and Urban Development, became a KB Home board member as well as a Countrywide board member. So as a public servant of the highest order, with the trust of the President and all those at HUD, Mr. Cisneros appears to have leveraged his position to his own benefit. Of course, appearances can be deceptive, and sometimes appearances are spot on.

Continuing on, Mr. Speaker, in 1995 Congress passed, over my objection, the Private Securities Litigation Reform Act. This bill was the only bill ever passed by Congress over a Clinton veto, and it was part of Newt Gingrich's Contract with America. This law made securities class action lawsuits more difficult.

In fact, Representative ED MARKEY of Massachusetts offered an amendment to that bill that would have made those that sold derivatives still subject to class actions. But his amendment was not accepted, and it never passed.

Back in those days, I can remember when the Securities and Exchange chair, Brooksley Born, made public statements talking about the necessity to regulate the derivatives market, what she saw happening. She was forced out of the SEC. I nominate her for a gold medal.

In 1999 Gramm-Leach-Bliley Act passed Congress, and for the first time since the 1930s removed the regulatory barriers that existed between banks and insurance and real estate and commerce. It was like all the rules were thrown out.

Insurance companies got into derivatives, securities houses got into housing and real estate, America's banking system was turned inside out. Over the next several years, the fury of an inflating housing market and mergers of financial institutions increased.

To illustrate the general pattern of behavior, an interesting case to follow is that of investment bank Wasserstein Perella of New York and Chicago. It wasn't the largest, but one can follow and track it.

In 2001, at the height of the mortgage bubble, it merged with Dresdner Bank of Germany, taking with it volumes of U.S. subprime paper. Today, Dresdner, which is the second largest bank in Germany, has been victimized by the subprime crisis and has been put up for sale. It is likely being acquired by Commerzbank in Germany, which is owned by their largest insurance group, Allianz Insurance Group of Germany. They have the same kinds of insurance problems as we do.

The question is, on behalf of which institutions did Wasserstein Perella move the subprime paper? Equally interesting is, effective June 5, 2008, last year, Dresdner Kleinwort Wasserstein Securities was listed on Federal Reserve Bank of New York's private government securities dealers' list. They are right on the inside. They are more on the inside than my neighbors are back in Ohio where 10 percent of our homes have been foreclosed. This means a foreign institution with severe financial problems is brought under the umbrella of the U.S. Federal Reserve.

In fact, if you review the list of troubled money center banks, most of them are now listed on the preferred primary dealers' list at the Federal Reserve. The Fed is starting to look like the encampment of the most culpable.

This brings me back to AIG. This weekend, AIG grudgingly released the names of the banks that they had to pay related to the credit default swaps on securities that failed. So AIG had to pay on those failures.

Who did they pay with taxpayer dollars that bailed them out and continued to bail them out over and over to a level of \$176 billion and beyond?

You know the No. 1 company? As of Monday this week, Goldman Sachs. Well, they got \$12.9 billion, Goldman Sachs. That's where the last two Secretaries of the Treasury have come from, both in Democratic and Republican administrations. We have a new Secretary of Treasury now who came from the New York Federal Reserve.

I will insert in the RECORD the The New York Times article by Mary Williams Walsh.

[From the New York Times, Washington Edition]

FIRMS TO WHICH IT PAID TAXPAYER MONEY
TRACKING THE BAILOUT
FOREIGN AND U.S. BANKS WERE GIVEN BILLIONS
AGAINST BAD DEBT
(By Mary Williams Walsh)

Amid rising pressure from Congress and taxpayers, the American International Group on Sunday released the names of dozens of financial institutions that benefited from the Federal Reserve's decision last fall to save the giant insurer from collapse with a huge rescue loan.

Financial companies that received multi-billion-dollar payments owed by A.I.G. include Goldman Sachs (\$12.9 billion), Merrill Lynch (\$6.8 billion), Bank of America (\$5.2 billion), Citigroup (\$2.3 billion) and Wachovia (\$1.5 billion).

Big foreign banks also received large sums from the rescue, including Société Générale of France and Deutsche Bank of Germany, which each received nearly \$12 billion; Barclays of Britain (\$8.5 billion); and UBS of Switzerland (\$5 billion).

A.I.G. also named the 20 largest states, starting with California, that stood to lose billions last fall because A.I.G. was holding money they had raised with bond sales.

In total, A.I.G. named nearly 80 companies and municipalities that benefited most from the Fed rescue, though many more that received smaller payments were left out.

The list, long sought by lawmakers, was released a day after the disclosure that A.I.G. was paying out hundreds of millions of dollars in bonuses to executives at the A.I.G.

division where the company's crisis originated. That drew anger from Democratic and Republican lawmakers alike on Sunday and left the Obama administration scrambling to distance itself from A.I.G.

"There are a lot of terrible things that have happened in the last 18 months, but what's happened at A.I.G. is the most outrageous," Lawrence H. Summers, an economic adviser to President Obama who was Treasury secretary in the Clinton administration, said Sunday on "This Week" on ABC. He said the administration had determined that it could not stop the bonuses.

But some members of Congress expressed outrage over the bonuses. Representative Elijah E. Cummings, a Democrat of Maryland who had demanded more information about the bonuses last December, accused the company's chief executive, Edward M. Liddy, of rewarding reckless business practices.

"A.I.G. has been trying to play the American people for fools by giving nearly \$1 billion in bonuses by the name of retention payments," Mr. Cummings said on Sunday. "These payments are nothing but a reward for obvious failure, and it is an egregious offense to have the American taxpayers foot the bill."

An A.I.G. spokeswoman said Sunday that the company would not identify the recipients of these bonuses, citing privacy obligations.

Ever since the insurer's rescue began, with the Fed's \$85 billion emergency loan last fall, there have been demands for a full public accounting of how the money was used. The taxpayer assistance has now grown to \$170 billion, and the government owns nearly 80 percent of the company.

But the insurance giant has refused until now to disclose the names of its trading partners, or the amounts they received, citing business confidentiality.

A.I.G. finally relented after consulting with the companies that received the government support. The company's chief executive, Edward M. Liddy, said in a statement on Sunday: "Our decision to disclose these transactions was made following conversations with the counterparties and the recognition of the extraordinarily nature of these transactions."

Still, the disclosure is not likely to calm the ire aimed at the company and its trading partners.

The Fed chairman, Ben S. Bernanke, appearing on "60 Minutes" on CBS on Sunday night, said: "Of all the events and all of the things we've done in the last 18 months, the single one that makes me the angriest, that gives me the most angst, is the intervention with A.I.G."

He went on: "Here was a company that made all kinds of unconscionable bets. Then, when those bets went wrong, they had a—we had a situation where the failure of that company would have brought down the financial system."

In deciding to rescue A.I.G., The government worried that if it did not bail out the company, its collapse could lead to a cascading chain reaction of losses, jeopardizing the stability of the worldwide financial system.

The list released by A.I.G. on Sunday, detailing payments made between September and December of last year, could bolster that justification by illustrating the breadth of losses that might have occurred had A.I.G. been allowed to fail. Some of the companies, like Goldman Sachs and Société Générale, had exposure mainly through A.I.G.'s derivatives program. Others, though, like Barclays and Citigroup, stood to lose mainly because they were customers of A.I.G.'s securities-lending program, which does not involve derivatives.

But taxpayers may have a hard time accepting that so many marquee financial companies—including some American banks that received separate government help and others based overseas—benefiting from government money.

The outrage that has been aimed at A.I.G. could complicate the Obama administration's ability to persuade Congress to authorize future bailouts.

Patience with the company's silence began to run out this month after it disclosed the largest loss in United States history and had to get a new round of government support. Members of Congress demanded in two hearings to know who was benefiting from the bailout and threatened to vote against future bailouts for anybody if they did not get the information.

"A.I.G.'s trading partners were not innocent victims here," said Senator Christopher J. Dodd, the Connecticut Democrat who presided over one recent hearing. "They were sophisticated investors who took enormous, irresponsible risks."

The anger peaked over the weekend when correspondence surfaced showing that A.I.G. was on the brink of paying rich bonuses to executives who had dealt in the derivative contracts at the center of A.I.G.'s troubles.

Representative Barney Frank, Democrat of Massachusetts and chairman of the House Financial Services Committee, implicitly questioned the Treasury Department's judgment about the whether the bonuses were binding.

"We need to find out whether these bonuses are legally recoverable," Mr. Frank said in an interview Sunday on Fox News.

Many of the institutions that received the Fed payments were owed money by A.I.G. because they had bought its credit derivatives—in essence, a type of insurance intended to protect buyers should their investments turn sour.

As it turned out, many of their investments did sour, because they were linked to subprime mortgages and other shaky loans. But A.I.G. was suddenly unable to honor its promises last fall, leaving its trading partners exposed to potentially big losses.

When A.I.G. received its first rescue loan of \$85 billion from the Fed, in September, it forwarded about \$22 billion to the companies holding its shakiest derivatives contracts. Those contracts required large collateral payments if A.I.G.'s credit was downgraded, as it was that month.

Among the beneficiaries of the government rescue were Wall Street firms, like Goldman Sachs, JPMorgan and Merrill Lynch that had argued in the past that derivatives were valuable risk-management tools that skilled investors could use wisely without any intervention from federal regulators. Initiatives to regulate financial derivatives were beaten back during the administrations of Presidents Bill Clinton and George W. Bush.

Goldman Sachs had said in the past that its exposure to A.I.G.'s financial trouble was "immaterial." A Goldman Sachs representative was not reachable on Sunday to address whether that characterization still held. When asked about its exposure to A.I.G. in the past, Goldman Sachs has said that it used hedging strategies with other investments to reduce its exposure.

Until last fall's liquidity squeeze; A.I.G. officials also dismissed those who questioned its derivatives operation, saying losses were out of the question.

BENEFICIARIES OF A RESCUE

The American International Group on Sunday released the names of financial institutions that benefited last fall when the Federal Reserve saved it from collapse with an \$85 billion rescue loan. The Fed paid A.I.G.'s

obligations to the following companies, among others:

Institution	Amount (in billions)
Goldman Sachs	\$12.9
Société Générale	11.9
Deutsche Bank	11.8
Barclays	8.5
Merrill Lynch	6.8
Bank of America	5.2
UBS	5.0
BNP Paribas	4.9
HSBC	3.5
Citigroup	2.3
Calyon	2.3
Dresdner Kleinwort	2.2
Wachovia	1.5
ING	1.5
Morgan Stanley	1.2
Bank of Montreal	1.1

But it's very interesting which firms get special treatment. Several of the AIG infusions of money that came from the U.S. taxpayers are foreign based. Societe Generale of France, \$12 billion; Deutsche Bank of Germany, \$12 billion; Barclays of Britain, \$8.5 billion; UBS of Switzerland, \$5 billion; Dresdner, \$2.2 billion; foreign banks paid with U.S. taxpayer dollars?

The American taxpayers are becoming the insurance company for Wall Street and global banks. Think about that one.

There is simply no way for us to pay our way out of this, because without mark-to-market accounting being engaged, that is destroying more capital inside these banks than we can possibly make up for with the debt we are assuming as the risk is passed on to the American people.

□ 1800

Besides Goldman Sachs in our country, Merrill Lynch got \$6.8 billion through AIG; Bank of America, \$5.2 billion; Citigroup, \$2.3 billion; Wachovia, \$12.5 billion. All banks are receiving TARP funds, too. So it's almost like double dipping into taxpayer dollars. Oh, my, is it time for major reform.

Mr. Speaker, this past week Congress took some steps forward toward real reform, and I'd like to highlight a couple of them and thank those who made them possible. I'd like to begin by thanking House Financial Services Committee Chairman BARNEY FRANK for not only permitting, but attending the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises hearing on mark-to-market accounting. This is the bullseye at the center of the target.

In addition, I wish to extend my gratitude for his leadership to the chairman of that Committee, Representative PAUL KANJORSKI, and the ranking member, Representative SCOTT GARRETT, whose opposition to the Wall Street bailout is as strong as mine, for allowing me to participate in that hearing although I am not on that subcommittee.

I'd also like to congratulate the staff on the subcommittee for a job well done. This hearing was informative on many levels. It is clear that reform of the mark-to-market system is a bipartisan issue. Congress surely would prefer that the industry itself privately,

through the Federal Accounting Standards Board, make the necessary changes to properly account for and subsequently protect institutions. But that appears to be log jammed.

Though not an easy task, time and time again in the hearing the Federal Accounting Standards Board, the Securities and Exchange Commission, and the Office of the Comptroller of the Currency in the Department of the Treasury were told to take action or Congress would take action. I hope that they listen, too, because I know my colleagues can take action, and they surely must.

Three weeks was given as the timeline for FASB and its collaborators to take action. Chairman KANJORSKI already has a hearing date blocked out for the week we return from our April break to follow up as necessary. I thank him for that.

Congress is, for now, expecting and hoping that those who are in charge of regulation will do so, so we do not have to. They, together, are the experts, and should see to the necessity for making these improvements.

All in all, his hearing was a very good one. I commend it to those who are listening to look at that RECORD. We heard excellent testimony from not one, but two panels of experts and people in the field. Yet, for me, and some other Members, the day's work was not complete yet, even though the last votes of the week had been cast.

This takes me to my second round of thank-you's. After Representative KANJORSKI's hearing ended, multiple members attended an informational briefing in the Capitol with the two former Chairmen of the Federal Deposit Insurance Corporation who helped America dig out from that big hole of the 1980s and that last banking crisis so we could learn from their experience.

These crises were far larger than what we faced at the beginning of this one, but this one has been mishandled, and every day it gets worse. So we have much to learn from them. Yet, lack of appropriate resolution to date in our current situation made their appearance even more important.

I wish to thank Majority Leader STENY HOYER for his interest in this discussion, and I wish to thank Mr. William Seidman and Mr. William Isaac for traveling here to the Capitol to share their experiences, these two amazing Americans who have so much to say, and we thank them for their records as senior statesmen and as successful regulators who actually did something right to stabilize our ship of State when it was so desperately needed. We need to hear their voices more.

Tonight, however, I am moderated in my optimism because of those meetings last week and because of Treasury's actions toward AIG. And I want to place on the record some of the following. AIG was the largest insurance company in our country. It collapsed last September due to its mega in-

volvement in insuring mortgage-backed securities.

Prudent lending has been thrown out the window for a very long time, and basically the system that has been set up has taken the individual mortgage loan—let's say this is your mortgage that was arranged at your local lending institution—and what happened across our country in the past was that when you would go to a bank and you would get a mortgage locally, you might have deposits in that bank, and the bank could only loan 10 times more than the level of deposits in that institution.

A system was set up in our country where, when you took the loan out, that loan was purchased. Usually it went to the Federal Housing Administration or the Federal National Mortgage Association here. But it had never really been taken into the international market.

What they did under this new system was rather than having the 10 to 1 lending ratio to capital deposit, what Wall Street did is it had a ratio of 1 to 100. It took \$1 and it turned it into \$100—10 times more than ever had been done in history—terribly imprudent, terribly irresponsible, terribly high risk—and they leveraged the whole Republic.

Mortgage firms will tell you that often the value of your mortgage, the underlying value of your home, was really too small for their tastes. If your house was only worth \$50,000 or \$100,000, or even \$250,000 for them that is small potatoes. And what they wanted to do was figure out a system where they could take lots of mortgage loans. And what they did was they took them from all around the country, hundreds and hundreds and hundreds of loans, and then they figured out what they will do is they will take this mortgage loan, all these mortgage loans, and what they did was they sold them together.

So what they did was they created these instruments where they literally put these loans together and then they sent them up the line of command, and what Wall Street did, they said, Well, let's see. What is that worth? Let's take the risk out of this.

So what they did was they took all these loans and they cut them up into pieces. What they did was they broke the mortgage up into little pieces and then they took all of those pieces and they packaged them—they mixed them all up and they packaged them into a security. Can you find your loan?

All of a sudden, your loan lost its individual character. It's sort of like the walnut shell game. Where is your mortgage in here?

Wall Street cannot unwind the securities that it has now even sold into the international market. That's why what's happening is so hard to unwind. They bundled some really bad loans where they had poor underwriting and poor appraisal practices with very good loans. But when they cut them all up, who knows where your loan really is, and the prudent oversight at the local

level, since your local bank no longer really had that loan and you started sending your mortgage check to places far away from home, most of which ended up on Wall Street or in one of these money center banks. Well, you get the picture.

Just to make it more interesting, what AIG did was took all those cut-up securities and they sold insurance that they called credit-default swaps on those mortgage-backed securities, and they had to pay out on that insurance that was sold as our housing market started to deteriorate and mortgages began to fail. But, you know what? They did it through an office in London. This just gets more interesting—where the meltdown of AIG actually began.

You see, the insurance market is regulated, but what they did with it, with credit-default swaps, that isn't regulated. Nobody was really in charge of that. So they hid a lot of this. They hid a lot of what was going on and they created almost like a Ponzi scheme. And I have been saying to homeowners across the country, If you get a foreclosure notice, don't leave your property. Get a lawyer. Because until you actually get your own note back, until they piece it back together and you get your original loan, how do you know that you have signed a legal note?

What if you have a widow's loan and they cheated you? What if you had a predatory loan? Make sure you can get your entire note back, and you need legal representation through your Fair Housing offices in order to do that.

The castle that Wall Street built—and which it is defending now at all costs because it has made an enormous amount of money. Some people have made an enormous amount of money. Some of those houses that securitized these loans, half of their profit went to the executives in those companies.

What they have done has been at great price to our Republic. The situation we face can right itself if the new President and if the leaders of this Congress listen to those Americans who have actually resolved serious banking crises before.

To date, those voices have not been allowed to rise because, in my opinion, Wall Street has too much power and they can block, just like in football, there's somebody that is the quarterback. They can carry that ball right down the field. But not without the blockers being there. What is happening is some of these important voices are being blocked by those who have enormous power.

Members of Congress must also remember that we represent our constituents and our communities. Their votes got us here and their votes can return us or not return us. Congress needs to get in and get dirty in solving this problem, just like our predecessors did, and find the truth, whatever it takes.

We saw this begin last week at Representative KANJORSKI's hearing. Congress needs to do what is right and not

what is easy. Congress doesn't need to be cowardly. Our Nation and our citizens expect no less than what Daniel Webster's quote says right up on that wall, and that is "to do something in our time and generation worthy to be remembered."

It is far overdue for real banking reform in this country and the return of financial power back to the American people.

Mr. Speaker, I yield back my remaining time.

CARBON TAX AND THE PRESIDENT'S BUDGET

The SPEAKER pro tempore (Ms. KOSMAS). Under the Speaker's announced policy of January 6, 2009, the gentleman from Illinois (Mr. SHIMKUS) is recognized for 60 minutes.

Mr. SHIMKUS. I come to the floor tonight—and I will be joined by a couple of my colleagues—to talk about the President's budget and the issue of the carbon tax proposed therein.

Part of the President's budget submission is \$686 billion raised by a carbon tax. This poses a serious number of questions, and I will highlight the history and then talk about how that addresses a concern from, really, a large part of this country, especially the Midwest.

When the 1990 Clean Air Act passed and was signed into law, a mining operation in my congressional district, Peabody Mine #10, which is located right here, a big facility, very efficient, and the great thing about this facility was that right across the street and down the road was a coal-fired generating plant.

So you have what you hear a lot of people talk about today, a mine mouth operation, where you have the coal located underground and you have the power plant on the surface. So you save in the aspect of transportation either by rail or by truck.

What happened under the Clean Air Amendments of 1990 is what will happen as we move to a carbon-constrained regime when we monetize carbon, is that in this process there will be winners and losers. So I am coming to the floor tonight to talk about who these people are and why are they in this debate. One of the most clearly identified losers in a cap-and-tax regime are the miners.

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Now, we hear a lot about green jobs, but I can guarantee you that the green jobs created will in no way match the loss of the fossil fuel industry in this country. And when I say fossil fuel, I talk about all the fossil fuel regimes, from coal to crude oil to natural gas. And we could go, as we talked about last fall oil shale, we could talk about the tar sands, vast resources of energy which, through a climate change regime, through a cap-and-tax provision, we could lose.

Well, these guys lost out and ladies. This one mine in southern Illinois that

had over 1,200 miners was shut down, and it was shut down to meet the requirements of the 90 amendments to the Clean Air Act. So I find it very, very difficult when my colleagues say there will be no effect. And we have been very successful, I think, in this debate to highlight the reality that people will lose jobs as we move to address the climate regime. These guys and these ladies lost their jobs. This is one mine.

I talked to an individual who was a business agent for the United Mine Workers who told me, at one time before these acts were passed there were about 16,000 bargain members of the United Mine Workers in southern Illinois. After this last legislation was passed, he was reorganized into a three-State region and he only was working for at that time 4,000 miners. So he went from 14,000 miners in southern Illinois to 4,000 United Mine Workers in a three-State region. There will be definitely be effects, and it is the blue-collar jobs, the working men and women who have mined our coals.

The historical importance of coal mining is part of the reason why many immigrant families found jobs when they moved here. I am a fourth-generation Lithuanian. My great grandfather came to this country and worked in the coal mine. That story is told over and over and over again and highlights the importance of this debate. So you go from this coal mine, this operation to nothing, you go to this job loss, and then you go to the last revenue for the county.

Now, this is just one story that can be told over and over again in just my State, central Illinois, from central Illinois all the way down to the southern tip, that story of miners losing their jobs. So that is why we come to this debate. And we come fervently to talk about the challenges of a cap-and-trade regime.

In this country, the portfolio of energy, again, in this chamber the electricity produced is by a coal-fired power plant just two blocks away from here. The electricity generated in this country is generated by 49 percent coal. So just imagine that you take coal out of the equation. Now you have current demand and you have less than half the amount of supply. And if you understand supply and demand, costs will then escalate. Who will that cost escalate to? Well, it escalates to everybody.

We hear about the President is making work pay tax credit, the \$300 to \$400 a year for an individual or the \$700 for a couple, that is for 95 percent of all Americans, as he promised. But what he hasn't been able to explain is how, as he passes this cap-and-tax on to the American public, he is going to tax everybody, 100 percent, because we will pay, the consumer will pay for the energy used across the board, because energy is used in everything that we touch, we eat, we consume in this country, and that cost will be passed on in higher costs.

So now let's just talk about the manufacturing sector. If you think that the manufacturing sector that is in this economic malaise right now, you think it is better served with low energy costs or high energy costs? I think the answer is clear: It is better served with low energy costs. If our manufacturing sector is completing against the likes of India and China in the manufacturing sector, do you think our manufacturing sector is better served with higher costs versus the competitors of India and China? Of course they are not. But this Congress and this President is planning to threaten the economic vitality of this country on this cap-and-tax regime and put thousands and thousands of people employed either in the mines or in the power plants or in the manufacturing sector out of work.

And I am just going to end with this story, and then I will yield to my colleague from Minnesota. People say, well, you know, America has got to lead. We have got to lead the folks from India and China. I was in a bipartisan meeting with senior Democrat leaders talking to a senior Chinese official; and I didn't ask the question, two of my democratic colleagues asked this question. The question was: Will China ever agree to an international cap-and-trade regime that is complied by the worldwide organization?

After answering both questions for about 15 minutes, the answer was the same, and this is a paraphrase. He said: You know, the United States and Western Europe built their middle class by cheap fossil fuel use, and now it is our turn. Now it is our turn.

So for anyone who thinks that they are going to comply just because we have now gutted ourselves and made ourselves less competitive and they are going to be goody two-shoes and going to join, they are wrong, and they are not understanding this other simple fact. I think in January, more automobiles were sold in China than in the United States. They are only starting their era of fossil fuel use. They are not going to stop their era of fossil fuel use. They are not going to comply with any international standards.

So our pain, our job loss, our inability to get out of this recession or this economic malaise is going to be held hostage to the fact that China is going to do nothing. We are going to tell our blue-collar workers out there, yeah, we are going to shut down this coal mine in the hopes that we can encourage China to join us? Are they kidding me?

So that is why we took to the floor. There is a lot more to talk about. I appreciate my colleague and friend from Minnesota for coming down, and I would like to yield time to her.

Mrs. BACHMANN. I commend the gentleman from Pennsylvania (Mr. SHIMKUS) for all the work that he has done, the tremendous work on energy. The energy fight that we all participated in last summer when we talked about how we needed to adopt an all-of-