

upon a 100 percent auction—that does not give away to polluters “pollute free” cards. Budget Director Dr. Peter Orszag has correctly noted that giving away allowances would represent the largest corporate welfare program that has ever been enacted in the history of the United States. As noted in another recent statement by over 600 economists calling for auctioning all allowances, free allocations do little or nothing to protect families and businesses from higher energy costs. The significant shortcomings of the European cap-and-trade system are largely linked to the pursuit of this politically easy but very ineffective course. An abundance of free allocations just leads to more price speculation and would hinder the ability of the system to properly reduce emissions.

The bill that I am introducing today represents the type of legislation that I will continue offering, building block by building block, to help us achieve a comprehensive solution. Next will be a plan that I will advance to ensure the competitiveness of American importers and exporters in the new energy economy. I am pleased this legislation enjoys support from a number of members of the Blue Dog coalition, such as Representative JIM COOPER and Representative HEATH SHULER, as well as members of other caucuses here in Congress and a broader array of business interests such as the National Venture Capital Association.

Last week, Speaker PELOSI brought together key House committee chairs to sign a statement that they are uniting behind one bill to achieve our shared goal with President Obama of a more accessible, affordable health care system for every American. I believe we need to do the same thing to resolve global warming. Today's bill represents one new element of that broader legislation that must be developed through cooperation and collaboration of the House Energy and Commerce and Ways and Means Committees as well as many other Members.

I believe that a role exists for every Member of this Congress who is willing to work in good faith based on good science to end obstruction and reduce the real threat of global warming. The more Members we bring together, the more successful we will be in enacting the solution that President Obama has offered and move us to a clean energy economy.

THE ECONOMIC CRISIS—WHAT LIES BENEATH

The SPEAKER pro tempore. The Chair recognizes the gentleman from Florida (Mr. STEARNS) for 5 minutes.

Mr. STEARNS. Madam Speaker, our Federal Government has taken drastic measures in the past 6 months, mainly in the form of taxpayer-funded bailouts, in an attempt to put a stop to the complete deterioration of our financial system. Trillions have been spent and companies such as AIG have been

deemed “too big to fail.” But the Wall Street bailouts have proven to not be a sustainable cure to our financial ills. These bailouts constitute an assault on American capitalism and have introduced a large degree of financial hazard into our economic system.

The nationalization of private assets is inherently un-American. With all the money we have spent thus far, we should have been able to stem much of the economic collapse—but we haven't. We have failed to grasp the root of the problem—the unregulated, out-of-control derivatives market.

The recent disclosure that AIG will pay out \$165 million in bonuses to employees of their Financial Products division—the very unit that made bad bets on toxic mortgages and credit default swaps—is wrong. The Federal Government owns 80 percent of AIG and the Treasury and the Federal Reserve has infused more than \$170 billion in taxpayer bailout money trying to rescue this company. As these recent events demonstrate, the administration's plan of recovery by bailout is not working. Bailout after bailout is not a strategy. It's a formula for waste, fraud and abuse of taxpayer funds.

The Federal Government has spent an exorbitant amount of money trying to rescue the economy but it appears to have had little effect. Beyond the \$700 billion for TARP funds, the government has made commitments of more than \$9 trillion and has spent \$2.2 trillion. And there is very little oversight of this money as the case of the AIG bonuses makes clear. This begs the question: What are we getting for our money?

Clearly the real cause of the financial crisis is more than just the bursting of the housing bubble, since over 90 percent of all homeowners are current on their mortgages. A closer look at the root causes of the crisis reveals flawed incentive structures and an inadequate regulatory system that allowed the derivatives market to spiral out of control.

Specifically, the credit default swap market is completely unregulated and it helped spread the risks generated by subprime mortgages to investors and financial institutions around the world. In the U.S. alone, the Office of the Comptroller of the Currency reported the amount of outstanding credit derivatives from reporting banks to be \$16.4 trillion just a year ago. Among the G10 countries—the United States, the U.K., Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden plus Switzerland—the amount of outstanding credit default swaps is about \$57 trillion.

Many have called credit default swaps and the larger derivatives market the true culprit in the global financial crisis. Derivatives trading also helped to contribute to AIG's near collapse and it seems as if no amount of money can save AIG at the moment, yet the company has been deemed “too big to fail.” However, no one has de-

finied what “too big to fail” means in the real world.

Beyond just credit default swaps, the Bank for International Settlements—the world's oldest international financial organization headquartered in Basel, Switzerland—reports the total outstanding amount of over-the-counter derivatives to be \$684 trillion. This large amount of outstanding derivatives demonstrates the world financial system could be in a huge amount of additional trouble during this worldwide economic crisis. Since over-the-counter derivatives are negotiated between parties and not on an exchange, the risk of the contract falls on both of the parties. So if one of the parties is not able to meet the terms of the contract, the first party stands to lose as well. With \$684 trillion of outstanding money, we are playing with very hot fire.

As these statistics show, this is a problem not just in the United States but around the globe.

So what is the solution? Let's break up these firms and sell the pieces off or separate the toxic loans and let the free market correct the economy as it was designed. The viable portion of these massive financial institutions can still be salvaged. However, we need to examine their asset sheets to determine how deeply involved each company is in the derivatives market.

There are better options than endless bailouts and the nationalization of private assets in this country. We must put an end to throwing trillions at the wrong source of the problem.

WALL STREET BAILOUTS

The SPEAKER pro tempore. The Chair recognizes the gentleman from California (Mr. SHERMAN) for 5 minutes.

Mr. SHERMAN. I thank the gentleman from Florida for his remarks, where he refers to AIG as “too big to fail.” The latest from Wall Street is, well, it's not so much too big to fail, but too interconnected with the rest of financial institutions. “Too interconnected to fail” is the new line. The fact is this: AIG was too well-connected to fail. AIG should have been in receivership, but that would have disadvantaged the richest, most powerful interests in the world.

Now let us look at the new public-private partnership plan being put forward by the Treasury. It involves a thousand times as much money as AIG executives received in bonuses and it would make the American people a thousand times as angry, except for the fact that it is so technical that the American people may not fully understand it.

Here is how it's supposed to work. The taxpayer puts up 94 percent of the money. The taxpayer takes 94 percent of the risk that the assets purchased will end up being worth nothing. Ninety-four percent. And the taxpayer gets 50 percent of the profits. The private

Wall Street interests put up 6 percent of the money, maybe less, and they get 50 percent of the profits. What this will mean is that this new entity that's created, the public-private partnership, will go out and buy these extremely difficult-to-value assets. They're going to overpay for some. They're going to underpay for others. They're going to make money on some. They're going to lose money on others. When they make money, half the profit goes to Wall Street. When they lose money, 94 percent of the loss goes to the taxpayer.

These entities are going to be 94 percent government-owned and financed. At least we're putting up 94 percent of the money. AIG was 80 percent government-owned and when they paid a million-dollar bonus, the country was angry. Well, what about an entity that's 94 percent government-owned? You can be sure this entity will be paying out million-dollar salaries, million-dollar bonuses. I wonder whether the American people will focus on it.

What we have had is a circumstance where so far this government has transferred hundreds of billions of dollars of wealth to Wall Street. But all that money has gone to the big, well-known, publicly traded companies on Wall Street. Well, there is another important tribe on Wall Street, and that is the hedge funds. Now with this new program, we can transfer hundreds of billions of dollars to the right side of Wall Street and hundreds of billions of dollars of taxpayer equity, taking hundreds of billions of dollars of taxpayer risk, for the benefit of the left side of Wall Street. Apparently some people think that's what fairness is—massive wealth transfer to both sides of Wall Street.

Now last week we passed a tax bill. That bill has been criticized by Wall Street and the administration. But they've ignored the statements of Lawrence Tribe, the foremost expert on constitutional law, the professor at Harvard Law School, who outlines step by step why that law was constitutional. Now I had problems with the law because it had loopholes in it. It will allow the Merrill Lynch executives to keep their bonuses. It allows million-dollar-a-month salaries. And I will introduce tomorrow what I think is a much more comprehensive effort to say that those who work for bailed-out firms shouldn't get more than a half million dollars a year, that whatever they get in excess to that they ought to return to their companies, and I hope we will have some cosponsors for that bill. But it is very plain from Lawrence Tribe's analysis that the approach we took in this House yesterday is fully constitutional and that the flimsy constitutional arguments that are being made against it hold water only because they're repeated over and over and over again in somber tones by Wall Street and the establishment.

Let me give you another example. Congress, the Republican Congress in 1996, passed a 200 percent excise tax

which is now law, and that excise tax falls on excess bonuses and excess salaries to executives, and it was retroactive, 6 months retroactive from when it was passed and it took effect 6 months earlier. Why does nobody know about this code section with a 200 percent tax on excess compensation? Because it didn't affect Wall Street, so it was not controversial. It affected those who received excess compensation from charitable organizations.

I look forward to working with my colleagues to pass reasonable limits on executive compensation and to make sure that the taxpayer gets more than half the benefits when we put up 94 percent of the equity.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess until 2 p.m. today.

Accordingly (at 12 o'clock and 58 minutes p.m.), the House stood in recess until 2 p.m.

□ 1400

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. LARSEN of Washington) at 2 p.m.

PRAYER

The Chaplain, the Reverend Daniel P. Coughlin, offered the following prayer:

Lord God, contrary lines run parallel; they may never meet. Holding their own, they forever respect equal distance to each other. Contradictory lines are sure to clash because they are determined only by self-direction. A straight line demands everyone to take a side. A curved line, however—however subtle it is—in the end will form a circle and find oneself.

Lord, help us not to be rigid in our own sense of direction or rash in drawing lines for others. Draw us closer to Your presence, Lord, so we may respond to Your influence upon us; and allow us to have Your way with us, both now and forever.

Amen.

THE JOURNAL

The SPEAKER pro tempore (Mr. LARSEN of Washington). The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Massachusetts (Mr. LYNCH) come forward and lead the House in the Pledge of Allegiance.

Mr. LYNCH led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

LEARNING A LESSON FROM THE AMERICAN PEOPLE

(Mr. WILSON of South Carolina asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WILSON of South Carolina. Mr. Speaker, according to a recent Rasmussen poll, two-thirds of the American people have more confidence in their own judgment than they do in Congress. I couldn't agree more, which is why I and many of my colleagues in Congress believe we can learn from the American people.

We can tighten our budgets when times are tough; we can cut out the things we don't need; we can make some difficult choices rather than mortgaging the future of the next generation and threatening Social Security. We should respect the fact that Americans know better how to spend their own money.

Congress doesn't need an expert economist to tell us how to be fiscally responsible. We have millions of American families, small businesses, and homebuilders all across this Nation who are fine examples of leadership and resolve. We should be promoting small businesses to create jobs, not tax their success.

In conclusion, God bless our troops, and we will never forget September the 11th.

BUDGET CALAMITY

(Mr. POE of Texas asked and was given permission to address the House for 1 minute.)

Mr. POE of Texas. Mr. Speaker, the proposed budget is going to double the national debt. What that means to Joe Sixpack is every American will be responsible for \$70,000 apiece to pay off this massive debt incurred by money-grabbing government. Does anyone know there's a recession going on?

Government cannot spend America into prosperity with somebody else's money. We shouldn't even be borrowing more money during these hard times. The Treasury Secretary says part of the reason government got into this economic mess was government borrowing. Also, government has plans to raise taxes on working citizens to pay for all these fancy projects in the budget.

Americans already pay too much in taxes during this recession. Americans don't want more taxes. Americans don't want to incur more debt. Americans don't want government to spend money it does not have.

Government is taking America's money to reward failure, and sending money to special interest groups.