economic indicators point to a rally in crude oil prices. Oil is now above $58 a barrel and gas prices are the highest they have been in 6 months. We don't need a repeat of last summer. We need to work together to craft a comprehensive energy policy that promotes domestic security and creates American jobs while providing energy at the lowest cost possible to consumers.

The key to the energy future is to take a balanced approach that includes domestic production, conservation, renewables, nuclear, and alternative fuel development.

I would like to conclude my remarks by repeating my constituents' desire for the kind of bipartisanship that can transform this country's energy policy. I welcome the opportunity to work with all my colleagues on this issue. I encourage us not to a get into another energy crisis such as we faced last summer, with Congress having failed to take the important steps it can to help America become energy independent and a strong supplier of its own energy resources.

I yield the floor.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will resume legislative session.

CREDIT CARDHOLDERS' BILL OF RIGHTS ACT OF 2009—Resumed

The PRESIDING OFFICER. The clerk will report the bill.

The assistant legislative clerk read as follows:

A bill (H.R. 627) to amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, and for other purposes.

Pending:

Dodd-Shelby amendment No. 1058, in the nature of a substitute.

McConnell (for Gregg) amendment No. 1085 (to amendment No. 1058), to enhance public knowledge regarding the national debt by requiring the publication of the facts about the national debt on IRS instructions, Federal Web sites, and in new legislation.

Vitter amendment No. 1066 (to amendment No. 1058), to specify acceptable forms of identification for the opening of credit card accounts.

Sanders amendment No. 1062 (to amendment No. 1058), to establish a national consumer credit usury rate.

Gillibrand amendment No. 1084 (to amendment No. 1058), to amend the Fair Credit Reporting Act to require reporting agencies to provide free credit reports in the native language of certain non-English speaking consumers.

The PRESIDING OFFICER. Under the previous order, the Senator from New Jersey is recognized.

Mr. MENENDEZ. Mr. President, we see gathering clouds in this economic storm and those clouds are credit card debt. At the very same time that it is becoming harder to get new credit, Americans have almost a trillion dollars of credit card debt outstanding. Defaults are rising and delinquencies are at a 6-year high. It is clear this isn't only a question of consumers overspending. Credit card companies are trying to boost their profit with deceptive practices and making the situation worse. People are seeing so much of their paychecks eaten up by late fees, over-the-limit fees, and interest payments that today companies can unilaterally increase at any time. Credit card companies are pushing cards on college students who can't afford them and teenagers are winding up with a lifetime of debt.

Companies are raising interest rates on consumers and customers who have a perfect record with their credit card but miss a payment with some other creditor. Maybe worst of all, if you have a credit card, chances are there is a line in the fine print that says the company can change the rules at any time. Considering some of the changes companies have made already, who knows what they could do tomorrow.

I have heard from thousands of people in New Jersey who feel their credit card contracts are booby-trapped, that their credit card agreements conceal all kinds of trapdoors behind a layer of fine print. Take one false step and your credit rating plummets and your interest rate shoots through the roof.

These are the same kinds of stories we started hearing as the foreclosure crisis began. Right now there is nothing stopping credit card companies from doing this to consumers—no law, no level playing field, no protection for the average American, no way to get the kind of fair treatment we expect as a matter of common sense.

When some people see that their interest rate has shot through the roof for no apparent reason, they call and plead with their companies for help, but their fate lies solely in the hands of the credit card companies. If the companies don't want to help, they are out of luck and stuck with an even bigger mountain of debt. Meanwhile, credit card companies are still making multi-billion-dollar profits. This isn't just impacting the lives of individual Americans and families trying to make ends meet; it has major ramifications for the entire economy.

One of our major economic challenges right now is getting credit flowing again but not at the high price credit card companies are imposing. The economy is never going to get running at full speed again if consumers can't get their bearings because they have fallen behind on a payment treadmill that credit card companies keep speeding up. If there is any time to end deceptive practices and level the playing field, it is now.

Credit card reform is something I have been calling for since I set foot in the Senate. In 2006, one of the first pieces of legislation I introduced was an effort to reform credit card practices. Even then it was clear credit card debt was a looming problem that had the potential to wreak havoc on American families unless we achieved commonsense reforms. If there is one thing we have learned from this economic crisis, it is that we can't wait for a dangerous situation to reach full-blown crisis proportions before we act.

This Congress, as I have done for several Congresses, I introduced the Credit Card Reform Act to tackle essentially the same issues this current bill deals with, including banning retroactive rate increases, protecting young consumers from being sucked into the cycle of debt, reasonably tying fees to costs, and prohibiting unilateral changes to agreements.

We have $1 trillion collective debt in credit cards. That is how big this issue is. I am proud to see Chairman DODD's credit card reform bill includes many of the provisions I included in my bill and have championed for years. His leadership is what has brought us to the floor today. I included in my bill many of those provisions, and we have championed them together.

Though in some cases I would like to see different provisions that I think would make for stronger legislation, I still look forward to working with the chairman on one or two of those. But this bill represents one of the strongest, most comprehensive efforts yet to end some of the most egregious practices of credit card issuers, while making sure that Americans young and old don't fall so easily into financial traps.

The principle behind this bill is simple: Companies should be clear about the rules upfront, and they should not change them in the middle of the game. The bill says, similar to a provision I have been pushing, if companies want to change the terms of credit card agreements, they have to give reasonable notice before they do so. It will end an industry practice known as universal default on existing credit balances so companies don't raise interest rates on customers' outstanding debt when they have a perfect record with that credit card but maybe miss a payment by a few days with some other creditor.

I called for this in my bill, and I am proud to see Chairman DODD has it in his. I am also proud he included a provision I called for in my bill to make sure that when fees are imposed, they are reasonably tied to the original violation or omission that triggered the fee, not just the companies' desire to increase profits.

This bill will discourage the bait-and-switch tactics behind the preapproved offers that almost every American consumer has seen come into their mailbox, an idea I also put forward strongly in my own bill. When you get a card offer, the offer should be real. The terms should not be so good to be true that it fades away once you apply for the card. This legislation will provide recourse for consumers, if a card issuer tries a sleight of hand and changes the terms in the fine print.

One of the things I have been focused on—and I am glad to see it in this bill—will protect young consumers from credit card solicitations they didn't ask for. I am convinced, having seen my own children, when they were in college and studying but not working, get an incredible number of preapproved credit cards, I could stack them this high, or my State director's 2-year-old who got a preapproved credit card, if you have a Social Security number and a pulse that, in fact, you can get a credit card.

I am proud this bill includes a provision that says people under 21 can proactively opt in to receive credit offers, but they will no longer will be lured into deals unless the decision is their own. It would also ensure that when college students do opt in and apply for a credit card, they prove that they or a cosigner can actually make the payments on that debt before they get that card. That is something I even think should be considered more broadly, ability to pay as a fundamental essence.

This way we don't get people on the march of bad debt, bad credit, and all the consequences that flow therefrom. For far too many people, credit card debt is already a personal financial crisis. If we don't act soon, it could grow to become a national financial crisis. Already there is a trillion dollars in collective debt. We cannot allow predatory and deceptive practices in the industry to continue as we did in the subprime mortgage market. We cannot allow the credit card problem to become the next foreclosure crisis.

When it comes down to it, this legislation is about trust. At a time we have seen financial institutions fail, either fail to be profitable or just fail to be honest, it is clear that restoring trust by ending deceptive practices is good for everyone. People are not demanding too much, just rules that are fair, understandable, and don't change in the middle of the game.

It is time we give individual consumers the tools to level the playing field when it comes to dealing with credit card companies. This legislation is about creating a trustworthy financial system, restoring some commonsense rules of the road, and stabilizing our economy by making it possible for consumers to get their footing.

At the end of the day, that is in the interest of all Americans. Now it is time to act because, similar to the debt on our credit cards, if we keep putting this problem off month after month, it is only going to get worse.

I look forward to working with the chairman to pass this bill, making it as strong as possible and making sure it becomes law.

I yield the floor.

The PRESIDING OFFICER. The Senator from Oregon is recognized.

Mr. MERKLEY. Mr. President, I commend my chairman, the distinguished Senator from Connecticut, for his work on the legislation before us today. This has been a complex issue. The chairman has worked very hard to bring people together on all sides. I commend also the senior Senator from Alabama for his vital engagement on these reforms that touch the wallet or the pocketbook of virtually every American. America needs credit card reform.

Take the case of Maggie Bagon, a 59-year-old social worker from Salem, OR. As reported in the Oregonian, Maggie used her card conservatively. She paid her bills on time. So she was incensed when her credit card company charged her a late fee.

So she called up the bank. They told her the terms of her contract permitted them to sit on her payment for 10 days before they posted it to her account, and that made it feasible—in fact, lawful—for them to charge her a late fee when she paid her bill early.

That type of practice is a scam. Maggie and thousands of Oregonians, perhaps millions of Americans, have been charged late fees for paying their credit cards early. That kind of deception and trickery has to end.

Late fees for early payments is not the only type of scam we have had in this industry. How about interest charges on balances that have been paid off? Well, you have paid it off, and you are very happy about that. You are now free of interest? No, you are not—not under the rules of the fine print in many credit card agreements.

How about fees for going over the limit when you do not know you are over the limit? Well, it used to be you were simply turned down and that was fine because that was the deal you had and you understood the deal. But now suddenly you get your credit card statement, and you find out you were charged a $30 fee when you bought a newspaper with a credit card or you were charged a $30 fee when you bought a $5 meal with your credit card because the bank was not going to tell you about the fee because they wanted to collect those fees for going over the limit.

Well, this act will fix that problem, that type of scam on the American worker. In fact, credit card companies have even charged fees for making your payments at all. Some charge fees for paying with a check. Some charge fees for paying over the Internet. Some charge fees for paying by telephone. That is simply crazy, and this act will address these types of tricks and traps that have become key and central to the industry.

As a member of the Oregon House of Representatives and as speaker, I worked with my colleagues to reform lending practices in our home State. We tried to address credit card practices to establish fair rules of the road, and our legal counsel said: No, you can't do that here at the State level. You have to do that at the Federal level. It is federally preempted. So we were not able to help people such as Maggie, the citizens of our State, have fair practices. Only the Federal Government, under Federal law, can make these changes.

But if we all have reserved to ourselves the power to set fair practices, then we have a moral obligation to set those fair practices. We have an obligation on behalf of the millions of American citizens such as Maggie. That is why this legislation is so important.

It is strong, commonsense legislation which targets the most abusive practices. In particular, I am proud it prohibits ''universal default'' on existing balances—that bait-and-switch tactic when, under the deal you have signed up for, you are charged 7 percent, but after you make those charges, your interest rate is suddenly switched to 29 percent.

I am proud this bill requires that payments beyond the minimum monthly payment be applied to the balances with the highest rate of interest.

I am proud this bill limits the aggressive solicitation of young persons; that it prohibits fees based on the method of payment, be it telephone, mail, Internet or otherwise; that it prohibits over-the-limit fees unless a person opts in to that feature—it is a fair deal, you choose it—and that it prohibits late fees if the card issuer delayed posting the payment.

These long-overdue, commonsense reforms are important steps to bring transparency and fairness to credit card contracts. These reforms will help Maggie and millions such as her from Connecticut to Oregon and everywhere in between.

Friends, this legislation is also good for our banking system. There is one clear lesson we have learned this year; that is, fair lending results in families who are on a solid foundation, strong consumers, and it avoids the sort of securitization that results in poison pills being based on fraudulent, deceptive practices, poison pills that infect our banks and financial institutions around the world.

Even the banks are aware this system is flawed, and some have tried to offer better, safer cards. But they found it hard to differentiate themselves. Why is that? Well, here is why. It is pretty straightforward. Consumers do not have the time or patience to read the dozens of pages of fine print that come in a credit card contract and then to compare its terms—and be able to evaluate its terms—to the dozens of pages that come with another credit card.

But even if a person dedicated a week of their life to comparing two credit card contracts, it would not matter because, at the end of the contract, it says: These terms can be changed at the discretion of the credit card company at any time. And they are changed frequently. Therefore, the contract does not give you the ability to compare and contrast. Therefore, we have a dysfunctional market because consumers are not able to choose better cards with better practices.

We need to create a functional market where there is competition—competition not based on how many tricks and traps you can insert into the fine print but competition based on value, based on good interest rates, based on fair fees, and based on good, old-fashioned consumer service.

Friends and colleagues, this legislation is fundamentally about fairness. It is long overdue. Our citizens deserve fair contracts on credit. It makes our families stronger. It makes our national financial system stronger.

I certainly commend Senator DODD for his 20 years of labor, day in and day out, to reform these practices. I commend President Obama for his leadership on this very important issue.

Friends, it is time to adopt these reforms. President Obama is waiting. Maggie Bagon of Salem, OR, is waiting, along with millions of other Americans, for simple fairness.

I yield the floor.

The PRESIDING OFFICER (Mrs. GILLIBRAND). The Senator from Connecticut.

Mr. DODD. Madam President, before my colleague from Oregon leaves the floor, I wish to thank Senator MERKLEY, who is a former speaker of the house in his home State. He is a new Member of this body and a welcome addition to it. While he and my colleague from Colorado, Senator BENNET, and Senator WARNER from Virginia are new Members of the Senate and new members of the Banking Committee, I wish my colleagues to know what incredibly valuable additions they have been to the committee and to this body.

In the few short months they have been here, I have gotten to know all three of them very well. We have had a lot of—almost, I think, close to 20—hearings in the Banking Committee since January 20 on a variety of issues. We had a housing bill up last week, which took a good part of the week, with some 20 amendments. Now we have this legislation. There is a lot of work in front of us.

I wish to express to the people of Oregon how grateful we are to them they have sent JEFF MERKLEY to the Senate. He is making a wonderful contribution, and it has been in a matter of days. Certainly, on this issue, he has brought a wealth of knowledge and experience to the subject matter of consumer issues. Certainly, his additions and thoughts on the credit card legislation have been invaluable, as have been those by BOB MENENDEZ, who was here a minute ago, the Senator from New Jersey, who is a more senior Member of the Senate but a former Member of the House. Also, his concerns about young people and the proliferation of credit cards arriving at their homes unsolicited, and in some cases being preapproved, has been a source of great concern for me over many years. To have the addition of BOB MENENDEZ expressing his interests on those subject matters has brought us to the point where we now finally have provisions in this bill that do protect young people and their families.

I pointed out yesterday that 20 percent of college students have in excess of $7,000 in credit card debt, and the average college graduate today is leaving college with more than $4,000 in credit card debt. In fact, one of the major reasons why students drop out is because of credit card debt.

Again, we understand the value of a credit card. But the responsible use of it by the consumer and also the responsible proliferation of these cards by the issuers need to be in balance. It is not. This bill changes that, and we think for the better, which will provide the use of credit cards but in far more responsible ways than certainly presently is the case.

I am very grateful to Senator MERKLEY, Senator MENENDEZ, Senator BENNET, and Senator WARNER, who have been involved in this debate over the last number of weeks and months. I am confident and hopeful in the next 2 days or so we will be able to finish the bill and work out with the House the differences we have, which are not many, and send this legislation to the President.

The President, by the way, is the first American President who has spoken up so forcefully, on numerous occasions now over the last several weeks, on this issue. To have an American President talk about the importance of reform of the credit card industry has made an invaluable contribution to public awareness about this issue—not that the public needed to be made aware of it. The public has been living with it. They have been far more knowledgeable about this, with 70 million accounts over the previous 11 months having their interest rate go up. That is one out of four American families.

As you have heard in anecdote after anecdote, fees have been raised, penalties have been imposed, charges have been added on, with no cause, no justification whatsoever. It is the only contract I know of where one party can change the terms at will. If you buy a home, if you buy a car, if you buy an appliance, there is a contract. The seller cannot change the terms midway in that contract. On credit cards they can, and they say it bluntly: For any reason, at any time, we will change the contract. Of course, that is terribly unfair to American consumers, at a time they are paying an awful price economically, as well as with jobs being lost and homes falling into foreclosure.

I am hopeful this bipartisan bill Senator SHELBY and I have put together will enjoy broad bipartisan support. I cannot think of a more significant message we can send to the American public about this institution caring about what they are going through today. We have spent a lot of time over the last number of months dealing with financial institutions: stabilizing them, TARP money, automobile assistance. Americans are wondering if we are ever going to do anything about what they are going through. Certainly, I understand—I think most of my colleagues do—that stabilizing our financial institutions ultimately will get credit moving and be a great help to businesses and consumers. But it is an indirect assistance. This is direct assistance.

This is an opportunity to say, it is not going to happen any longer. We are putting a stop to it. The people are going to get the kind of help they deserve. People need credit cards. They are essential for them in the conduct of their everyday lives. But they need to have the assurance that the terms are not going to change, the rights do not change, the credit limits do not change on the basis of the issuer deciding that on their own. This bill addresses all of those issues in a very comprehensive and thoughtful manner.

I am grateful, again, to the members of the Banking Committee, as well as to Senator SHELBY, of course, and others who have helped put this legislation together.

The majority leader has been a champion in this area, and he is the one who has allowed us to be on this floor and to engage in this debate. Having leadership that insists upon this kind of debate occurring is welcomed in this country, and I thank Senator REID, as well, for those efforts.

With that, Madam President, unless others wish to be heard, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REED. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. REED. Madam President, I wish to make some remarks with respect to this pending legislation. First, I wish to commend Senator DODD and Senator SHELBY for developing this bipartisan legislation. It will bring more fairness to the credit card market and provide more predictability to the many Americans who use credit cards, which is practically all Americans today.

Families are being squeezed on every side. The unemployment rate continues to rise. The situation, we hope, is beginning to stabilize across the country. However, in my State of Rhode Island, there is still a significant 10.5-percent unemployment rate. That is unacceptable. Individuals are still working, but they are receiving pressure to take pay cuts. Home values have fallen precipitously. As a result, people can no longer call upon their biggest investment and their biggest source of wealth: their home. All of this is adding to the dilemma that is facing working families across this country.

At a time of declining home prices, rising unemployment, and the pressures of daily life, individuals are faced with higher and higher credit card interest rates, which makes it even more difficult to make ends meet. People who have never missed a payment are facing double-digit interest rate increases because card issuers are currently permitted to increase rates at any time for any reason.

Our small business owners are struggling. The Federal Reserve April 2009 survey of senior loan officers shows that banks continue to tighten standards for credit for small business lending and to decrease existing credit lines. With few viable alternatives, many small business owners must use their personal credit cards just to keep the lights on in their company and to stay afloat, and they also are subject to these arbitrary increases of their interest rates.

The Dodd-Shelby substitute restores balance to a market that has lacked adequate consumer protections for far too long. This legislation codifies the rules the Federal Reserve recently issued by prohibiting double-cycle billing, retroactive interest rate increases on credit card holders in good standing, and other questionable practices. It will institute commonsense rules that will make a meaningful difference for consumers, and this is a very important and very positive first step. These Federal Reserve rules have done that.

But this bill goes further. It requires that penalty fees be reasonable and proportional to the cost of the violation. It requires that any interest rate increases on new purchases be reviewed every 6 months so that consumers can return to a previous rate if conditions change. It also protects consumers who have temporarily fallen on hard times by requiring 60 days before penalty interest rates can be imposed.

It shields young people from taking on more debt than they can handle by limiting prescreened offers to young consumers. It also gives consumers more access to the information they need to make wise financial decisions, such as requiring full disclosure about due dates, penalties, and changes in terms.

I am pleased that much of the bill will take effect just 9 months from enactment. This is an aggressive but achievable effective date—something I pushed for, along with my colleagues, particularly Senators DODD and SHELBY. When the Federal Reserve first announced that its rules would not be implemented until July 2010, I wrote to Chairman Bernanke urging him to reconsider the effective date in light of the economic crisis.

This legislation is careful to try to make changes in a way that preserves consumer access to credit. Implementation is staggered in recognition that some of these changes are very narrow in scope and others are more far-reaching. For instance, an important provision requiring a 45-day notice before any interest rate increase will take effect in 3 months. Other changes, which may require more time to be implemented appropriately, will be instituted on a different timeline. This is a sensible and rational way to quickly address issues that are clear cut. It will also place more difficult issues on a timeline that will provide relief but give an opportunity to effectively implement these changes.

I am, however, disappointed that the ban on retroactive interest rate increases will not take effect until 15 months after the bill is enacted. I think we should do that much more quickly. I point out that 15 months is even later than the date included in the Federal Reserve's original rules, although we are improving upon their original approach. This bill goes further than the Federal Reserve's rules, and in that sense I think it is important and timely and effective.

This bill will stop the exploitation of credit cardholders, there is no doubt. But we must acknowledge that when card issuers return to careful underwriting standards because they can no longer change interest rates at will, credit may become tighter. As a result, for some consumers, a credit card will be harder to come by. We have to recognize that. That is something which I think should be explicit rather than implicit.

One more point. Our first priority is protecting consumers, but what should not get lost in the debate is that robust consumer protections benefit the whole economy. We are now seeing what happens when some financial institutions are able to pursue profits without reasonable safeguards for borrowers, without prudent underwriting, without effective due diligence. The short-run gain quickly turns into long-run pain for the economy. That is precisely what has happened over the last several months. Not only did consumers suffer, but also the institutions that originally underwrote these products suffered.

All of this having been said, the legislation before us is timely. It will provide long-overdue protections to Americans—individuals, households, families, and businesses. I urge my colleagues to support this important legislation.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

U.S. DEBT

Mr. GREGG. Madam President, I rise to speak about the dire situation of our fiscal house and the Federal Government, which has been confirmed and reinforced by the recent trustees' report on Social Security.

We are in big trouble as a nation because of the amount of debt we are running up. This President has proposed a budget that doubles the debt in 5 years and triples it in 10 years. He proposed a budget that runs, on the average, a trillion dollars of deficit every year for the next 10 years—4 to 5 percent of GDP in deficit. In fact, this year the deficit will be almost $2 trillion and it will be almost 13 percent of GDP—staggering numbers, numbers we have never seen as a nation except during World War II when we were fighting for survival. These numbers add up to debt that is unsustainable and cannot possibly be repaid by our children and therefore will create an atmosphere for our children and our children's children where our Nation will not be as prosperous or as strong as it was when our Nation was passed on to our stewardship.

These problems are only massively compounded by the report that came out yesterday from the Social Security trustees because they pointed out that the Medicare trust fund is going into a negative cash flow situation and the Social Security trust fund will soon go into a negative cash flow situation. What does that mean? Well, in the last 15 or 20 years, we have basically been financing our Government by borrowing from the piggy bank of Social Security and using that money to operate the day-to-day costs of the Federal Government. What the trustees are telling us is that the piggy bank is broken. It has been smashed. It no longer has any money in it. It is not going to take in money that exceeds the amount of money it has to pay out. In fact, we are going to have to borrow money now in order to pay Social Security benefits beginning in 2016 and Medicare benefits right now, this year.

This chart reflects the seriousness of the situation. If you take just these basic mandatory programs—Social Security, Medicare, and Medicaid—the cost is escalating on a steep upward slope. By around the year 2025 or 2030, these three programs alone will absorb all of the money the Federal Government has traditionally spent on all of the programs of the Federal Government—20 percent of GDP—and then they go up. It is projected that toward the middle of this century, Social Security, Medicare, and Medicaid will literally bankrupt our Nation by themselves. That says nothing about the basic underlying budget, which is expanding so dramatically under this Presidency.

The debt of this country under President Obama's proposal and budget, because of spending in these three accounts and because of the new spending the President proposed in all sorts of other accounts—massive expansions in the size of Government, where the debt of the Federal Government just goes up and up, to the point where it will represent, at the end of President Obama's budget, 80 percent of the gross national product. Today, the Federal debt is about 40 percent of the gross national product, down here, but after the spending spree of President Obama and the Democratic Congress, it will be 80 percent of the gross national product.

We will be in a position where we cannot get out of the hole. Usually, when you dig a hole that is too deep—and we are deep in the hole already, by the way—you stop digging. That is the old adage. If you are digging a hole and you are underground, you stop digging. We are not going to stop digging as a government. What the President and the Democrats are suggesting is that we bring a backhoe into the hole and dig twice as fast, so that we go even further down into the negative, into debt. That is not sustainable. It is not survivable for our kids because they are going to end up with costs and deficits that far exceed their ability to be able to manage.

The Medicare system alone has an unfunded liability of $37.8 trillion. When you throw in the Social Security system on top of that, you are talking about unfunded liabilities of over $42 trillion. What are the implications of that? If you took all the taxes paid in the United States since we were formed as a nation, since we began our Government and started to collect taxes, we have paid less in taxes than we have in obligations on those two accounts. If you took the net worth of every American—all of our homes, cars, and stock—and you added it all up, we have a debt on the books for the purpose of paying for the programs that we know already exist under Medicare and Social Security—we have a debt that exceeds the net worth of the entire country. That is the definition of bankruptcy, by the way—when your debt dramatically exceeds your assets.

In fact, by the 10th year of this budget, as proposed by President Obama and passed by the Democratic Senate—without any Republican votes because it is such an irresponsible budget—the interest on the Federal debt alone will be $850 billion. To try to put that into context, the interest on the debt will actually exceed what we spend on national defense. It will exceed by a factor of 4 or 5 what we spend on education and on transportation. So we will be putting more money into paying interest.

By the way, to whom do we pay this interest? We pay it to the Chinese, to the Japanese, to Southeast Asian countries, and, obviously, to the Arab and oil-producing countries. We will be paying more interest to those nations—more American hard-earned dollars will go to those nations to pay interest on our debt—than we will have available, what we will be able to spend on our own national defense.

Does that make sense? No, it doesn't make any sense at all. Plus, it is not supportable.

There are only two things that can happen to our Nation. When you run up the debt in the manner in which this deficit is proposed and in the manner these deficits will do under the budget passed here, when you look at the debt and the serious financial situations of Social Security and Medicare, there are basically only two things—unless we take action on controlling spending now—that can occur. One is that you devalue the dollar and inflate the currency. That is sort of a combined thing. You basically take the value of the American currency and inflate it. That is the cruelest tax of all. That says to people who have savings that they will find they are worth less the next day because of inflation. It says to the people who want to buy things that they can buy less because of inflation. Inflation is a massive tax on working Americans. That is one way you get out of debt, you inflate it. The practical effect of that is that people won't want to buy your debt. If they know inflation is coming, they won't buy your debt. Why give you $1 billion to buy a billion dollars of American debt knowing that you are going to pay them back in inflated dollars? If they are going to give you a billion dollars, or lend it to you, they are going to require much higher interest rates than we presently have to pay because they are going to have to anticipate inflation and the fact that the value of the dollar will be reduced and that the value of the debt they just bought will be worth less. So inflation has a lot of very bad ramifications.

But how else do you get out from underneath the debt? The other way is to massively increase taxes on all Americans. This euphemism that we are just going to tax the rich—you cannot do it by just taxing the rich even if taxing the rich is something you want to do.

On the other side of the aisle, they claim they are going to raise the rate on high-income Americans from 35 percent up to an effective rate of about 41 or 42 percent, as proposed by the President. These high-income Americans, making more than $250,000, are the majority of the job producers in America. Most of the jobs in America are produced by small businesses today, and almost all of those small businesses would be hit with this additional tax rate. So what happens to the small business, that mom-and-pop activity in New Hampshire, which is suddenly starting to grow? Maybe they have 10 employees and they want to add 12 or 15 more, but they cannot do it because they have to take their money and put it toward paying taxes. They are not going to be able to put it toward adding more jobs, which would be much more beneficial to us than having the money come to Washington and having the people in Washington decide how to efficiently spend it. It is spent much more efficiently by small business.

It is not like they are undertaxed. A 35-percent tax rate on a small business means they are taxed more than any other people in the industrialized world for small business activity. Most corporate taxes and business taxes in the world average out around 20, 19, 15 percent. In the United States it is 35 percent, if you are an individual or a subchapter S corporation. Now they are talking about taking it up to 41 percent under the proposal from the other side of the aisle.

That is their plan for taxes. This is tax the rich. Even though for the most part this is small business and it will cost us jobs—fine, let's accept the tax-the-rich argument. How much money do they get from that? Not very much, compared to what they are talking about spending. They, the other side of the aisle, are proposing increasing spending by over $1 trillion on the discretionary side—that is education and things like that—and over $1 trillion on the entitlement side. The revenues from this tax increase are about one-fifth of that spending increase, maximum one-fifth—and that presumes that wealthy people are not going to be smart enough to go out and figure out ways to avoid taxes, which is what people do who have accountants when their tax rates go up. They figure out a way to invest so they do not have to pay their taxes at such a high level, legally, by investing in things that are tax avoidance vehicles.

It is not a very efficient way to manage the economy. We would rather have people invest in a way to get the maximum return because that creates the most productivity in society, which promotes the most jobs, but what happens is people invest not to create jobs and create return, they go out and invest to avoid taxes, which is a very inefficient way to spend dollars. But let's accept the theory this is all acceptable, that we should go out and tax the rich because it is a good political statement and makes a nice TV ad and that will address the problem.

It does not. We still have a debt curve that goes up essentially on the same pathway because this pathway of debt assumes—this debt assumes this tax increase on the wealthy.

What is the other option besides inflating the economy? It is to tax everyone at very dramatic rates. What is the practical effect of that? If we tax all working Americans in order to pay off this debt—and remember what this debt is being used for. It is being used to expand the size of the Government. The President has been very forthright about this. He says: I believe, by dramatically growing the size of the Government—I heard this today on NPR, which I found was very appropriate since they happen to be a Government-funded agency—by dramatically expanding the size of the Government, you can create prosperity.

That is the argument of the President. That is the argument of the NPR's commentator today. I am thinking to myself—explain this to me.

Take the debt of the United States up to 80 percent of GDP, run deficits of $1 trillion a year for the next 10 years, and we are going to create prosperity? We are not going to create prosperity. We are going to create a momentary blip in the activity of the Government in the private sector—not momentary, a permanent blip. And we are going to significantly increase the size of the Government and maybe we will create some Government jobs, but in the end what we get is a massive expansion in debt, a massive expansion in deficit, and a commensurate expansion either in inflation or in taxes, which have a huge dampening effect on prosperity.

We don't create prosperity by increasing inflation. We don't create prosperity by creating a nonproductive workplace where capital is being invested, not for the purposes of efficiency but for the purposes of avoiding taxes. Basically, what we are absolutely guaranteeing when we are running up this type of debt is that we are not going to get prosperity. We are going to get a weaker economy, a less prosperous country, and a country that is not as strong.

These numbers that came out yesterday from the Social Security trustees only highlight, in a most devastating way, how significant our problem is. If we fail to take it on, if we fail to address this issue, if we continue on this path of just spending money as if there is no tomorrow, there will be no tomorrow for our children because the burdens will be so high and so extreme from all the costs of Government, and especially from the burdens of these entitlement programs.

What is the answer? To begin with, yes we are in a tough fiscal time right now, and we have to spend money that we do not want to spend in order to try to get things going. But let's acknowledge the fact that this recession is not going to go on forever. Hopefully, there are some lights at the end of the tunnel and some glimmers that things are turning around, and we all hope that is going to occur and it appears it may. The Federal Reserve Chairman thinks it will.

As we move out of this recession, we should not continue to spend as if we are in a recession. Rather, we should draw back on the spending we put into the system. We should start to take some of that spending back. All of the spending programs that came in the stimulus should have been sunsetted so these programs end after the recession is over, 1½ years from now, or maybe 1 year from now.

But that is not the plan. The plan is to build all of this spending into the baseline and have this spending go on for as far as the eye can see, and that is why the President's budget expects to have a $1 trillion deficit as far as the eye can see, or at least as far as the budget window—10 years.

Then after retrenching on the spending that is being proposed just in the short term, saying: Let's stop this spending when we get out of the recession, let's start curtailing this spending, let's go back to the former spending patterns of the Government—which were not very good to begin with but at least a lot better than what is being proposed now. Let's put someplace some strict fiscal discipline. Let's freeze discretionary spending for 1 or 2 years after we move past this recession—in other words, in the year 2010, 2012, 2013.

Let's also, at the same time, look at these entitlement accounts and see how we can put them on a more sustainable path. That means making some courageous decisions around here. We proposed—myself and Senator CONRAD—a way to accomplish that because we know the political system does not inherently allow people, members of the Government who have to run for reelection, to make the tough decisions on these programs that affect everyone. We know that.

We know it is very hard for somebody to stand up at a town meeting and say we are going to raise the age of retirement in Social Security; we are going to change the ways we calculate COLAs on Social Security. No, that is not the way these things are discussed around here. That is not possible in a political climate. We accept that.

Why not set up a procedure which drives a good policy, which we can vote on and everybody can sort of hold hands and go at the issue together? That is what Senator CONRAD and I have suggested. It is called the Conrad-Gregg Commission, except in New Hampshire where we call it the Gregg-Conrad Commission.

Actually, what it does is set up a process where a group of people who are very knowledgable—with a majority, by the way, from the majority party—sit down and figure out the best ways to try to bend this curve a little bit. Hopefully, more than this. See, this is the current baseline, the blue one. Hopefully, we can get it back to the current baseline and get under control the rate of growth of these entitlements so they do become, at least if not immediately affordable, over a long period more affordable.

We do this on a fast track. We do it without amendments. We require an up-or-down vote and require supermajorities so everybody is protected, everybody knows it is fair. It gets to the underlying issue which is how to control the rate of growth of spending.

I recognize I have been sort of a Sisyphus, pushing a rock up a hill in this position, and I have not gotten to the top of the hill yet. But I am not alone on this concern. The chairmen of the Budget Committee in both the House and Senate have both said that these outyear debt patterns of their budgets are unsustainable. Those were not my words.

The Director of OMB, the President's Office of Management and Budget, has said these outyear numbers are unsustainable. The Secretary of Treasury has said these outyear numbers are unsustainable. We cannot have a debt-to-GDP ratio of 85 percent. We can't have deficits of 4 to 5 percent annually. We cannot do it and have a sustainable Government. We end up turning into a banana republic if we continue on this path where we basically self-implode through inflation or excessive taxing.

The international community is starting to comment on this. The head of the Chinese Federal Reserve—a different title but the same position—has raised his concerns about it, as has the premier of China. After all, they are our biggest lender.

If the person who lent you the money for your credit card comes to you and says: I am a little concerned about the amount of credit you are running up. I am a little concerned about it. You ought to listen to that person because that is the person who is going to lend you the next dollar.

Regrettably, we are in that situation whether we like it or not. This is a real discussion about the real problems we confront as a country, and the trustees report should be listened to. There was one specific suggestion in the trustees report that we in the Congress were supposed to do. The trustees report says when it is projected that the Medicare trust fund will have to be supported with more than 45 percent of the general funds of the Government—in other words, the Medicare trust fund is supposed to be self-insured. It never has been, but it is supposed to be. It is not supposed to be general funds, which is general taxation, to pay for it. So 5 years or so ago we put in that language that said if over 45 percent of the support funds comes from the general fund so it is no longer an insurance event, so people who are paying into their HI insurance are no longer supporting anything more than 55 percent of the cost of the fund—at that point the trustees notify Congress and the President that this is going to occur within the next 7 years, and we are supposed to, by our own statute, receive from the President directions as to how to bring spending or the cost of the trust fund down so that the general fund will not be invaded by more than 45 percent.

President Bush took this to heart. He sent up two proposals to accomplish that, both of which were fairly reasonable. The first one was, the people who take part in the Part D drug program should have to pay a percentage of their premium for that program if they are rich, if they are well off. In other words, people working in a restaurant in Epping, NH, today are fully subsidizing the Part D premium of, for example, Warren Buffett. That makes no sense, does it? So if you have a fair amount of income, you should pay a larger—some percentage at least of your Part D premium. President Bush suggested that.

Another approach, he said, was there are a lot of savings occurring in the health care industry today based mostly on technology advances. We would like to share the rewards of those savings with the people who are getting them. Today, 100 percent of the savings goes to the health care industry. President Bush suggested that we take half of those savings and put them back into the Medicare trust fund. Those are very reasonable proposals, both of those. They were both rejected by the Democratic Congress, a Congress controlled by the Democrats. Both were rejected by the Democratic Congress.

Now it is President Obama's turn to send us some ideas for how we keep the cost to the general fund of the trust fund of Medicare below 45 percent. But what has happened? Total silence. Total silence. Nothing has been sent. No proposal has been sent. No endorsement of any proposal has been sent.

Interestingly enough, and to his credit, President Obama suggests in his budget the same proposal on Part D that President Bush proposed, which was that wealthy people should pay some percentage of the cost of their premium. So one might think they would send that proposal as a free-standing initiative, at least that one, as a way to address some of the costs which are being generated and being borne by the general fund. But we have not heard that.

It is ironic, of course, that President Obama has that proposal in his budget and is not willing to send it. It may be that because Congress, under the Democratic leadership, rejected this idea 2 years ago, that they believe it will be rejected again. But let's at least take a run at it because it is a good idea, and it is very appropriate. It should be done along with some other ideas because we have this responsibility, under our own rules.

There are rules. We set them up. We said if the general fund is going to be invaded by more than 45 percent we have to come up with some way to correct that. So we ought to at least live by that. There are some ideas as to where we should go from here, rather than allowing this debt to become so excessive that, for example, it got so high that we become so irresponsible as a nation in the area of debt that we couldn't even get in the European Union. That is an irony, isn't it?

When this debt gets up over 60 percent of GDP, which it may well, probably in the next 2 years, at that point the United States would no longer qualify for entry into the European Union.

Because those industrialized States said: That level of debt is irresponsible. A government that has that level of debt is so irresponsible that we do not want you in the European Union.

In other words, Latvia or Lithuania could get into the European Union, but the United States could not. Not that we are going to apply. But that is a pretty good place to look for a standard, is it not? They are industrialized nations.

So we need to take some action. We need to listen closely and read closely the trustee's report, because it is telling us we are in deep trouble.

I yield the floor.

RECESS

The PRESIDING OFFICER. Under the previous order, the Senate will stand in recess until 1:30 p.m.

Thereupon, the Senate, at 12:30 p.m., recessed until 1:31 p.m. and reassembled when called to order by the Presiding Officer (Mrs. HAGAN.)

CREDIT CARDHOLDERS' BILL OF RIGHTS ACT OF 2009—Continued

Mr. BAYH. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HARKIN. I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. HARKIN. Madam President, I fully support the bill offered by the distinguished chairman of the Banking Committee, Senator DODD. It would create a long overdue reform of the credit card industry whose practices have been increasingly predatory and abusive. I have heard from many hundreds of Iowans who have been victimized by credit card companies. These are good people who, in the current economic downturn, have had no choice but to resort to their credit cards in order to put food on the table or to make a car payment or even help pay for college tuition. As a result, they have found themselves on the receiving end of a whole array of unfair and often outright abusive practices; things such as double billing, unwanted fees, and arbitrary interest rate increases. I applaud the Dodd-Shelby legislation for cracking down on some of these abuses. I think the legislation is a good first step.

However, this bill still allows credit card companies to charge excessive and, for millions of Americans, ruinous interest rates. Currently one-third of all credit cardholders in the United States are being forced to pay interest rates above 20 percent, sometimes as high as 41 percent. These interest rates are grossly excessive. It is time to set a reasonable limit on what credit card companies can charge.

In times past, an interest rate of 20 percent, 30 percent, or 40 percent would have been condemned by religious leaders of all faiths as being the sin of usury. People daring to charge these interest rates would have been prosecuted for loan sharking. But today the credit card industry tells us that charging people these grossly excessive interest rates is both fair and necessary. I totally disagree. It is not fair, and it is not necessary. What is more, many Iowans have pointed out to me the very financial institutions that are victimizing and squeezing ordinary hard-working Americans have already received billions of dollars from the taxpayers. Now these institutions are lending money that came from taxpayers to people at interest rates as high as 41 percent. Someone tell me, what is the logic of that? No wonder people are upset all over this country. We take their hard-earned tax dollars, give it to the big institutions. They have a credit card and in hard times they have to use that credit card for some necessities. Now they are being charged 20, 25, 30 percent interest. It is a sweet deal for the financial institution. It is nothing more than an old-fashioned rip-off of consumers.

For these reasons, I have joined with Senators SANDERS, WHITEHOUSE, LEAHY, DURBIN, and LEVIN to offer an amendment to cap credit card interest rates at 15 percent. Yes, that is exactly what I am saying. No credit card could charge more than 15 percent interest rates. Why did we pick 15 percent as an appropriate top rate? Thanks to a law passed by this Congress 30 years ago—I was here at the time—we put a cap of 15 percent on the maximum interest charges a credit union could charge their customers. That was 30 years ago. We left a safety valve for special circumstances. This rate cap of 15 percent has protected millions of consumers at credit unions. I belong to a credit union right here in the Senate. I have always belonged to a credit union. I belonged to one in the House when I was there, and before that, in the Navy, I belonged to the Navy Federal Credit Union. These credit unions have performed a viable, good service for millions of Americans without harming the safety or soundness of the institutions and without negatively impacting access to credit for credit union members. I have been a member of a credit union all my adult life. I have never once seen them constrict the amount of credit involved to borrowers. If you need a car, you have been able to get consumer loans from credit unions.

I would also point out, not one single credit union—not one—had to line up with the big banks begging for a bailout. Not one credit union. Yet they are capped at 15-percent interest rates. Interesting, isn't it?

Credit unions have remained strong and stable despite the meltdown in much of our financial system.

Chris Coliver, a regulatory analyst for the California Credit Union League, was recently asked about the effect of the interest rate cap on his institutions—the 15-percent cap. He answered:

> It hasn't been an issue. Credit unions are still able to thrive.

Of course, there may be some special circumstances under which an interest rate above 15 percent is temporarily necessary. Currently, credit unions are allowed to charge higher interest rates if their regulator—which is the National Credit Union Administration—determines this is necessary to maintain the safety and soundness of the institutions. At the present time, the NCUA, the National Credit Union Administration, allows credit unions to charge interest rates as high as—get this—as high as 18 percent, though most credit unions continue to have a top rate that is actually much lower than that, and some of them lower than 15 percent, some as low as 12 percent, 11 percent. Well, our amendment includes a similar, reasonable exception. It would allow credit card companies to charge interest rates higher than 15 percent in circumstances where Federal regulators determine that higher rates are necessary to protect the safety and soundness of financial institutions.

It seems as if this is deja vu all over again for me. I have been advocating