

not have made, the money so spent would have otherwise been spent on something else or saved. There is no clear evidence that the economy will be better off for the money to have been spent on a new car than the alternatives.

In political economy, it is virtually always better to look to the long-term than the short-term. Government has neither the wit nor the tools to manage short-term economic performance. Despite all the happy talk about shovel-ready projects, very little of the stimulus money has gotten out the door. The Fed has been flooding the economy with liquidity, but lending is still contracting.

Virtually everyone agrees that Americans need to spend less, borrow less and save more. President Obama has given speeches lecturing us about that.

Yet the federal government continues to offer massive inducements for consumption and borrowing.

The federal government will pay more for your old car than it is worth if you'll buy a new one.

The housing bubble was caused by an overinvestment in housing and lax lending standards. Yet the federal government is offering a sizable tax credit for the purchase of a new home and the Federal Housing Administration will guarantee mortgages with a down payment of as little as 3.5 percent of the purchase price.

Lax monetary policy is a subsidy for borrowing in general.

In other words, the message from the federal government is that Americans need to spend less, borrow less and save more. Just not now.

But it is during downturns that behaviors change. A respect for economic uncertainty is what causes people to live below their means and save for the future. When things are humming along, few see the need to change their behavior.

This isn't to say that government should remain idle during a downturn, particularly one as severe as this one. Government should be in the business of helping people cope, through such things as extended unemployment benefits and other income transfer programs.

Government shouldn't, however, be offering new inducements for consumption and borrowing. That's sacrificing the long-term for the short-term.

The reason policymakers do this is, in significant part, our fault. We hold federal elected officials, particularly the president, responsible for the short-term performance of the economy. If the economy is doing well at any given moment, we're likely to think the president is doing a good job. If not, we're looking to get rid of the bum.

Presidents do not an economy make. They can affect the long-term trajectory of the economy through wise or unsound long-term fiscal policies. But day-to-day, we're pretty much on our own.

Of course, any presidential candidate who actually said that would never get elected. And therein lies the heart of the problem.

SUPPORTING THE INTELLIGENCE COMMUNITY

Mr. KYL. Mr. President, my colleague, Senator LIEBERMAN from Connecticut, had put an item in the CONGRESSIONAL RECORD that was a letter to the President urging that the President and the Attorney General take action to stop the further notion of investigating members of the U.S. intelligence community for activities long

since past related to the interrogation of terrorists after the September 11 attack on the World Trade Center. I found this to be a particularly well-reasoned statement as to why this kind of continually looking backwards, this kind of politics that seems to want to continue to scratch at old wounds, can be very destructive to our safety and security in the future.

Among other things, Senator LIEBERMAN quoted President Obama and said:

President Obama had it right when he said that with regard to past behavior by the intelligence community, he is "more interested in looking forward than . . . looking backward."

And Senator LIEBERMAN said:

Given the threats that we face as a Nation, it is imperative that we follow the President's lead.

He went on to point out that if we don't, we are going to chill the activities of the intelligence community.

He noted—and I will note, as well—that there are so many very hard-working, dedicated Americans working in a frequently very dangerous environment whom we have asked to find out the most difficult things, such as: What are these terrorists up to? And might they have plans to attack us again? It is very difficult to get this information.

Anything we do that chills the methods by which they do that—short, of course, of violating the law or engaging in torture or other impermissible activity—simply hastens the day when there is another successful attack against the American people. We need to do everything we can to prevent that. The reason I was reminded was there are reports this morning we have been successful in taking out one of the most dangerous terrorists in Pakistan, someone who was allegedly involved in the planning of the death of Benazir Bhutto and who had been sought for a long time.

I was thinking about the activities of some of my colleagues in the Senate attacking the previous administration for considering a program that would involve the use of intelligence community assets to track down and find and then either capture or kill these terrorist leaders who are responsible for so many deaths. The assumption was it was somehow wrong for the United States to consider doing this. This program was begun back when President Clinton was in office, and he issued a directive which basically said: If there is a way we can find and either capture or kill these people, we should do so. The program was never implemented because there were potential problems with it. The same thing occurred during the Bush administration. It wasn't implemented. The Intelligence Community wasn't advised about it. Had there been a decision to go ahead with the program, the law would have required that the Intelligence Committees in the House and Senate be briefed. But there was great criticism of the Bush

administration and Vice President Cheney.

I wondered at the time, how about these people whom we send into harm's way to try to find these terrorists and either capture them or, if they attempt to fight or flee, to kill them, what does it say to the people we send into harm's way to accomplish this, when there is all the criticism back home that somehow there is something wrong with it?

I was pleased this morning when the news of the alleged attack and killing of this terrorist leader was greeted with a great deal of approval in the media and by the people who commented on it. That is the kind of reaction our intelligence officials need to see when they go after these very dangerous terrorists—not a reaction that, gee, maybe we need to read this guy the Miranda rights before we try to capture him.

The reality is, these people are not generally subject to capture. We have the facilities and the means to track them and, frequently, we do track them by these means, and we are able to take them out. Since we are engaged in a war with these terrorists and they would kill us if we don't kill them, if you don't have the ability to capture them, then killing them and taking them off the battlefield in that way is totally appropriate and under the rules of war.

That is why I am pleased this kind of event is greeted with enthusiasm and approval because it might send the kind of signal to the intelligence community we want to send, which is: Do your best to defeat the opposition in the war on terror. I think Senator LIEBERMAN's point was well taken in the letter he wrote.

WITHHOLDING STIMULUS FUNDS

Mr. KYL. Mr. President, I ask unanimous consent that an editorial from the August 7 Arizona Republic be printed in the RECORD, called "Cabinet Chiefs Play the Heavies."

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

CABINET CHIEFS PLAY THE HEAVIES

The political hit job perpetrated—reportedly—by infamous tough guy Rahm Emanuel, the president's chief of staff, against Arizona Republican Sen. Jon Kyl continues to roll.

And it continues reminding us that hardball, hyperpartisan tactics did not suddenly disappear from the White House when Karl Rove left the building.

Indeed, in some ways, the tactics have gotten worse. Since when are Cabinet secretaries supposed to act like wise guys in a political goon squad?

On July 12, Kyl went on the Sunday Washington talk show *This Week* and criticized the \$787 billion economic-stimulus program. He said the program was ineffectual and suggested it be wrapped up and ended.

The administration came down on the senator like a ton of Chicago-baked bricks.

The very next day, four Cabinet secretaries sent letters to Arizona's Republican Gov.

Jan Brewer, asking if she still wanted the state's portion of the stimulus cash, or if she felt compelled to fall in with Kyl. The letters arrived almost simultaneously and were similar in structure and language, each suggesting that projects important to Phoenix and Arizona were in jeopardy.

Clearly, their delivery was orchestrated to embarrass Kyl.

Few doubted the manipulative hand of Emanuel in the letter-writing campaign. And, indeed, the online political news service Politico reported July 16 that "Emanuel directed that the letters from the Cabinet secretaries be sent to Brewer, according to two administration officials."

It would be an intellectual insult to suggest otherwise. Emanuel is notorious for such back-alley tactics and is the only person in a position to organize such a campaign literally overnight. But on July 24, at a hearing of the House Budget Committee, Transportation Secretary Ray LaHood—author of the snarkiest of the four letters—insulted away.

Asked repeatedly whether he had been encouraged or told by anyone within or without the administration to write his letter, LaHood—finally—gave a straight answer. "No," he said.

As most Washington-watchers know, honesty does not come easily to many of the political class. But couldn't LaHood, an Illinois Republican, simply have taken the Fifth? It would have been in keeping with the tenor of things.

Rahm Emanuel used the president's Cabinet for his political goon squad.

If anyone ought to be protesting this staged theater, it isn't so much Kyl or Brewer as the Cabinet secretaries who were so demeaned by being forced to deliver cheap political threats that are laughable on their face and utterly transparent.

Mr. KYL. Mr. President, the editorial reports on what they call a political hit job perpetrated ostensibly against me. It didn't bother me, but as reported, the Chief of Staff of the President enlisted four Cabinet officers to write letters to the Governor of Arizona, which were seen by some as veiled threats to withhold stimulus funding because I had dared to criticize the stimulus program and suggest that after the first couple years of spending, the outyears might be saved and spent in better ways. That generated criticism by these four Cabinet Secretaries, who wrote almost identical letters, which clearly were designed to try to intimidate.

That is not the right way for the administration to make its point. I am happy to debate the success or failure of the stimulus package with anybody from the administration who would like to debate it. I welcome that kind of conversation. But there seems to be too much effort now to either shut people up or intimidate them from speaking.

There have been a lot of reports with respect to the stimulus and the so-called health care legislation, and in other areas, to be coincidence. There seems to be a pattern developing, and it is not good. Senator CORNYN, yesterday, spoke to that issue with respect to a new Web site that the White House started asking people to send in their observations of people who are criticizing the administration's plans, if

they think some of the criticism isn't accurate or they said: If you think there is something fishy, let us know about it.

These are the kinds of tactics that might go over well in certain cities that have had a history of political bosses, but it is not the kind of tactic you would expect from the White House. I hope the folks at the White House have learned their lesson and, frankly, will knock it off.

FANNIE MAE AND FREDDIE MAC

Mr. KYL. Mr. President, there were two items that came to my attention that I wished to briefly comment on that are related. The first has to do with the Fannie Mae and Freddie Mac continuing saga of costing the American taxpayers a ton of money. We all know that despite warnings, particularly from Republicans, they needed oversight, that they were accumulating far too much bad debt and taking on all these so-called toxic assets—mortgages that, frankly, weren't going to be paid back; that they were exposing the American taxpayer to liability because of the implicit guarantee that lay behind the Federal charter for Fannie Mae and Freddie Mac. Others said: Don't worry, keep going with this; it is a wonderful program. Finally, the bottom fell out. Fannie and Freddie were deeply in debt and the American taxpayers came to their rescue.

The idea was then to restructure these two entities so that never again could this happen. We did that. The problem was that, because Fannie and Freddie were government-chartered entities, it didn't take long for them to squeeze out most of the private players in the mortgage market. Today, I think they hold something like 75 percent of these particular mortgages.

Well, of course, the day of reckoning has come again. They have now run up more debt—a huge amount of debt—and they are not going to be able to pay it. A story in yesterday—I will get the source later—reported that the government has since pledged, after their original reorganization, more than \$1.5 trillion, including \$85 billion in direct aid, in order to keep the mortgage market working through Freddie Mac and Fannie Mae. The White House is now considering a new plan that apparently is coming out of the Office of the Secretary of Treasury and the National Economic Council Director that would somehow reform Fannie and Freddie yet again.

The Treasury Secretary said:

The only question that remains is what form and what structure they ultimately will take.

The article points out that the most likely structure is a good bank/bad bank structure, in which they will basically be relieved of all their obligations, which will all be put in a new "bad bank," which is a pile of debt that the American taxpayers will eat, and then the "good bank" is the entity that is supposed to continue on.

The question is: Why would we want these quasi-government entities to continue to compete with the private market, continue to create bad debt that taxpayers have to eat every now and then, and after we slough off the bad debt to the American taxpayers, they continue to do business as if they had gone through bankruptcy and don't have any more debts but they still have the implicit guarantee of the American taxpayers.

It is time to end that. We have a vibrant mortgage market now. There is an expectation that within the next several months housing will come back. It already is in certain areas. Interest rates are low, and it is possible to write mortgages now. We have learned the lesson that we are not going to write mortgages that cannot be repaid. It is not good for the financial institutions or for the people who take out the mortgages if they cannot repay them, and it is not good for taxpayers who have to end up eating the bad debt that is created.

I wished to close by referring to the penultimate paragraph from this newspaper, which says that the bad bank would be for Fannie Mae's and Freddie Mac's toxic assets. Then the government could create new companies to attract private investment for mortgage finance, starting the process over again.

Why should the government create new companies? The private market has an adequate way to deal with this; it is called the private sector, private companies. They are highly regulated. The proposal from the administration is to impose additional regulations, but why do we need a new government company? We have government insurance companies, government car companies, and the administration proposal on health care is to create a new government health insurance company. We have banks taken over by the government.

Now we are going to fail to learn the lesson with Fannie Mae and Freddie Mac and create new government-backed companies, such as Fannie and Freddie—maybe they have the same name, who knows—in the mortgage business. When are we going to get out of the business of having the government create new companies? That is socialism, that is not American. That is not our free enterprise system. When things go wrong, we adjust and we make new regulations to correct the problems that were created; we learn the lessons of why government created the issue in the first place.

We don't need to continue to have the government create new companies that cost the taxpayers money and get us deeper into the notion that the government can compete with the private sector. That, then, leads inevitably to the government takeover because the government is never a good competitor when it is also the regulator. That is a fear a lot of people have with health care.