bubble burst, and there are some adjustments.

But everything that we have done over these past several years and even over the last several decades has always been to resort to more inflation, print more money, spend more money, which only produces a problem that delays the inevitable. What I am afraid of is the inevitable is here, and we must do something about it.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. SCHIFF) is recognized for 5 minutes.

(Mr. SCHIFF addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arizona (Mr. FRANKS) is recognized for 5 minutes.

(Mr. FRANKS of Arizona addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

(Ms. KAPTUR addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. GINGREY) is recognized for 5 minutes.

(Mr. GINGREY of Georgia addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

PROGRESSIVE CAUCUS

The SPEAKER pro tempore (Ms. MARKEY of Colorado). Under the Speaker's announced policy of January 6, 2009, the gentleman from Minnesota (Mr. ELLISON) is recognized for 60 minutes as the designee of the majority leader.

Mr. ELLISON. Madam Speaker, my name is KEITH ELLISON, and I'm here to claim this hour on behalf of the Progressive Caucus to deliver what we call the ''progressive message.''

The Congressional Progressive Caucus is a group of Members of this United States Congress who believe in the essentials of America, ideas like fairness and equality. We are the people who stand up consistently for civil rights and human rights. We believe that issues like color, national origin, and gender should not be a barrier for people to fully participate in the American Dream.

The Progressive Caucus consistently stands up for the rights of the working class, the people who labor every day to make this country run. We're talking about economic justice. We're talking about true health care reform. Many of our members were on the universal single-payer health care bill and advocated for the public option as the health care debate carried forward.

The Progressive Caucus, this is the group that's consistently arguing to say that humanity, and as a matter of fact as Americans, we can live in harmony with the Earth, we can respect the environment. So when you think about the Progressive Caucus, Madam Speaker, the idea is that there is a body of folks in the Congress who believe in fairness, who believe in equality, who believe in equal opportunity, who believe in equal justice, who believe in peace, and believe that the United States should put its diplomatic foot first and its development foot first and should always, always, always seek to be a force for peace in the word.

Members of the Progressive Caucus made up the large bulk of the people who called for the United States to get out of Iraq and identified Iraq as not the right policy for the United States from the very beginning. Many of us continue to make the demand for peace and say that the proportion of development aid should outweigh the military footprint in Afghanistan and not the reverse.

This is the Progressive Caucus. I'm proud to be a vice chair of the Progressive Caucus and to present the ideas of the progressive message tonight. The progressive message is when we come down to the House floor and we talk about the values of the Progressive Caucus, what we're working on, what we're doing, what we think is important, so, Madam Speaker, that the people who watch C–SPAN and who tune into us know the ideas and thoughts of the Progressive Caucus and know that there is a progressive voice within the caucus. Very, very important.

Tonight, our topic is the economy. What else? The economy. It's what people are focused on nowadays with the dramatic unemployment rates, high unemployment rates, hovering in the neighborhood of 10 percent in many places around this country, about 9.7 percent, as we're seeing some States with dramatically higher and even some with lower; but everybody is concerned about jobs for the American people.

Today we're talking about Wall Street reform which is good for Main Street, meaning that many folks will be thinking, well, what does Wall Street have to do with me? I mean, I own a barber shop on Main Street, I own a mechanic shop on Main Street, I work for the factory down at the other side of the community. I'm not a player on Wall Street; I don't trade in stocks. That doesn't have anything to do with me. Why am I worried about it? The reason is, the progressive message tonight is that people who live on Main Street—people who are the teachers, the firefighters, the police officers, the small business owners—people who work hard every day and make this country function need to plug into what's happening with this Wall Street reform because it's going on now in the Congress and the interests of us all are at stake.

So this idea of Wall Street reform will be the topic tonight, and the main idea is Wall Street reform is good for Main Street. Main Street needs to be plugged into what's happening. And who can blame people, Madam Speaker, for not really knowing what's going on with this Wall Street reform. I mean, weird terms like ''credit default swaps'' and ''derivatives'' and ''collateral debt obligations'' and things like that, ''rating agencies,'' ''too big to fail,'' all this kind of stuff are things that the American people are trying to get all this stuff clear because folks who don't watch this stuff every day, folks who are not C–SPAN junkies, they're busy, they're raising their kids, they're going to work, they're doing what people normally do, may not know that they really need to plug into this issue of Wall Street reform because it has a lot to do with how people's lives are going to be led, and it has a lot to do with people's well-being, their economic opportunity, and things like that.

So we're going to talk about that tonight, Madam Speaker. And we really want to let you know that we're going to be focusing hard on this issue of Wall Street reform and being good for Main Street. We want folks to absorb this message, and so we're going to be talking about it tonight.

Now, the fact is that if you have any doubt about whether Wall Street reform is important, maybe you thought to yourself, well, you know, I'm not sure it's something that I really need to be concerned about, let me just say that you can sometimes know how important a topic is by how vigorously other people are fighting against it. You may not know the ins and outs of health care reform; but when you find out that some people were spending $14 million a day with lobbyists to stop health care reform, you know that there are some people with some big bucks and some big stakes in the game who thought the status quo was good for them even if reform was good for the rest of us.

Now, what's interesting is this same scenario is being played out right now with financial reform. I want to start our dialogue tonight about Wall Street reform, not by talking about the intricacies of the bill—because I'm going to talk about the bill—and not by talking about what led us to this crisis, because I'm going to talk about that too, but first by talking about what the people of America are up against and who it is and how it is that people are trying to stop it.

Wall Street is spending billions to kill reform. Look it up. In 2009, the financial industry spent $465 million lobbying Washington. How much was spent lobbying Washington for school lunches for poor kids? How much was spent on trying to get America out of Iraq and Afghanistan? How much was spent on trying to make sure that college kids could get into college and have an affordable college education for themselves and their family? How much was spent on these things?

$465 million for lobbying Washington? Now, that's really something, folks. That's putting down a pretty penny to make sure that the interests of the industry are put up first and foremost before Members of Congress. $1.4 million a day lobbying Congress, not as much as health care reform, but a substantial pretty penny to be per day lobbying Congress; $1 million per Member of Congress. So in 2009, if $465 million was spent lobbying Washington, there are about 435 of us, there's actually more than $1 million spent lobbying each Member of Congress if you just divide it by the number of people in Congress.

So what is the point of this chart? The point of this chart is to say that folks who don't want real reform in the area of financial services are putting their money down to try to stop it. They're deploying, literally, an army of lobbyists to try to convince Members of Congress that their interests are the ones that need to be first, not those of the American people: $3.9 billion in the last decade, that's a lot of money, and nearly 2,000 lobbyists, 1,726 Washington lobbyists.

Now, this may sound like I'm hard on lobbyists; I'm not hard on lobbyists. I think it's an honorable profession. They help Members of Congress understand issues. But the fact is that every Member of Congress can tell you a lobbyist does not come in to try to persuade you to do something other than their interests, the people who pay them. They're paid to do a certain thing, to convince Members of Congress to do a certain thing. It's not always a bad thing, but it's usually a thing that's going to serve the interests of the people who are sending them there, and sometimes that's not right in line with what the American people want.

So it's important for the American people to know that when we're standing up for consumer protection, that when we're trying to stop bailouts ever again, that when we're trying to make sure that there is real justice and accountability when it comes to too-big-to-fail firms, that there are a lot of folks who want to have it stay their way; but we're trying to push for reform, and the American people need to know that. The American people need to be aware that if they don't pay attention to this debate, they may be sorry that they didn't. And so we're encouraging people, Madam Speaker, to just stay on top and stay focused on what's really going on.

Now, let me just talk about what financial reform actually means. What does it actually mean? Wall Street reform means policing Wall Street, making sure that Wall Street abides by the rules. Now, Wall Street does a lot of good for this economy. What it basically does is it takes people who have money to invest and unites it with people who need money to capitalize their companies. It takes people who want to invest with companies that have new ideas and some old ideas so they can get together and fund and finance their company. It's a good idea, it's fine, but sometimes it gets out of control. Look, I have knives in my house, and they're very useful for cutting vegetables. But you know what? They still can be dangerous. We need rules about how we deal with these things because they have very, very powerful consequences on people.

So Wall Street reform means policing Wall Street. It means ending bank bailouts. President Obama stood right in this very room not too long ago when he did his state of the Union speech and he said, One thing is for sure, whether you voted for the bailout or not, everybody hated the bailout. I can say he was right on the money. I will tell you that I believed that our economy was in ruin. I thought we were on the brink of disaster back in September, October 2008, and I voted for the bailout. But I will say this about it, I didn't want to, I had to be convinced that it was necessary to do. You should know that much of the money has been recouped and is being recouped every day. And the President is proposing a tax on some of these large financial firms to make sure the American people get all of their money back.

But this is one of those things that you didn't want to have to do, but you had to do. It's like if a friend says I need you to drive me home because I drank too much. You know what? You don't want to have to do that because you would wish that people would be more responsible, but you have to do it. It's something that you don't want to do, but you have to because you're put in that difficult situation.

We want to end the bank bailouts with Wall Street reform. We want to stabilize the economy. This economy, because of this financial trouble created by a lack of deregulation, by tax cuts for the wealthy, by not minding the store, we want to create stability in this economy so people can plan, so they can invest, so they can pursue careers, and so that we can have real economic growth sustained over the long term.

So it's about stabilizing the economy. It's about saying, you know what? The economy is going to be stable, so you know what? You might be able to make retirement plans. The economy is going to be stable and strong, so you should put some money away because you will be able to afford college for your kids. It's talking about stabilizing the economy—yes, you should start that business because I'm telling you that there will be a stable economy for you to participate in. So that's what stabilizing the economy is all about.

And then, also, we've got to stop gambling with worker pensions. Workers work hard. Workers work their whole lives working hard to make goods and services for people in the United States. They work hard and they put money into their pensions year after year after year. When they get 65 years old, they shouldn't have to worry that people who were gambling with their money on Wall Street have somehow gambled it away. And so this Wall Street reform is about stopping gambling with worker pensions. It's about worker pensions, people who one day want to retire, people who have worked hard and earned the privilege to retire, people who have literally blazed a trail for all of us younger people; and when they get 65, they ought to be able to go and take their retirement.

This is what Wall Street reform is all about. This is what we're trying to do. This is what the purpose is. It has nothing to do with trying to punish the average person. We want to see the economy grow; we want to see businesses invest. We want to see them grow, be competitive and successful; but there's got to be rules of the road so that everybody can be careful.

Cars. Two thousand pounds of steel going fast can hurt you; everybody knows that. They're very useful, but we still have to have rules, which is why we have to have State troopers out there. And in the same sense, Wall Street reform means policing Wall Street, ending bank bailouts, stabilizing the economy, and stop gambling with worker pensions. So that's what Wall Street reform is all about.

I'm going to return to this board in a moment, but before I do, Madam Speaker, I'd like to get up here and put this document that I led off with because I want to elaborate on it again.

□ 1630

Again Wall Street reform, Wall Street is spending billions to kill reform, to stifle reform, to shape reform to their interest, and it is a big deal. But I would like to say just a few specifics.

The fact is there are a lot of people who are former Members of Congress who are here. At least 70 former Members of Congress employed by the financial services industry, at least 70 former Members of Congress here to try to convince their former colleagues what the industry's perspective is on Wall Street reform, nearly half of the 150 former Members that reported lobbying in 2009.

Let me say about 150 former Members who might be working on anything from energy to forestry, about half of them are working on Wall Street reform. That is a big deal and people should know that. In total, about 125 former aides and lawmakers are now working for financial firms. And so it is not just former Members of Congress, their aides are working on this stuff, too. They are employed and hired to try to convince their former colleagues to do what Wall Street wants to do. Of the industry's revolving door lobbyists, 19 are former Members who served on the Senate Banking or House Financial Services Committees. So they are getting people who are on the committee who know the most about this stuff to persuade their colleagues about what the interest of the industry is, not the American people.

At least 33 additional lobbyists were staffers, as I mentioned before. And you should know, in Congress, some of the most influential people around are staffers. People know the Member of Congress, their name is on the lawn sign and they have commercials during the campaign season with themselves featured in the commercials and sometimes local communities know who the Members of Congress are. You may not know the staffer, but I guarantee you one thing, staffers who are devoted to working on a subject to help a Member of Congress often know more about that topic than the Member of Congress. That's a fact. Many of them, former aides and staffers, are hired to work on this as well.

One of the former Members is former Speaker of the House Dennis Hastert who is working for the industry. Another is Senate majority leader and GOP Presidential nominee Bob Dole. Another one is former Senate majority leader Trent Lott. Another is former House majority leaders Dick Armey and Dick Gephardt. Another is former Appropriations chairman Bob Livingston and former Ways and Means chair Bill Thomas. So they don't have the lightweights and the people who are only here for a few weeks, they have the big heavy hitters here to try to persuade Members of Congress with their former colleagues that the bill needs to reflect what Wall Street wants.

Madam Speaker, that is why we are here tonight talking about Wall Street reform, who is involved, whose interests are at stake. Mostly the American people's interests are at stake, and they need to get well versed on what this bill is all about. I am going to talk about that in a moment.

The fact is that the U.S. Chamber of Commerce spent about $3 million on advertising, including commercials slamming the creation of a Federal Consumer Protection Agency. That is unfortunate. Why would any good lender who is trying to offer a good product at a fair price be attacking consumer protection? I thought the customer was always right and you wanted to make sure that the customer was always happy so you would get return business. Why would anybody be afraid of a consumer protection agency that is going to look out for consumers? In fact, I would think industry would be happy about that. The fact is, though, a lot of mishandling of consumers happened. I will talk about that in a moment as well. That is why we need a consumer protection agency. It is very, very interesting that some of these folks want to stop that.

The National Automobile Dealers Association, and I am a big fan of automobile dealers, but the fact is that they contributed $3 million to Federal candidates in the 2008 election cycle, encouraging dealers to make hundreds of telephone calls to House Members and secure an exemption from the CFPA.

The hedge fund lobby, which calls itself the Managed Funds Association, doubled its spending during the last few months of 2009, according to data recently released by the Federal Election Commission. So the Managed Funds Association, which is the hedge fund lobby, strategically sprinkled more than a million around Washington in the fourth quarter, compared to just $520,000, a little more than half, spent during the same period in 2008. The fact is $25 million has been spent on TV ads about Wall Street and financial reform since January. You probably saw some of them yourself.

So with that, we know what we are up against. We know what we are dealing with. Wall Street reform is necessary. Wall Street itself is galvanized and fighting back hard to try to protect its interests, not the American public's interests. So it is important to talk to the American people at this point about what really is in financial reform. What does financial reform contain? What is it about? What's in there? That is the question. The answer is simply this: Wall Street reform is a simple solution to a complex problem and it simply addresses the worst problems associated with the financial breakdown of the last few years.

Let me just talk about the bill, what it is about and some of the key features that we will see with financial reform. Financial reform quite simply addresses certain elements of the financial system and addresses them to make sure that they don't go haywire and harm consumers.

The first thing I want to talk about is the Consumer Financial Products Agency. The Consumer Financial Products Agency, Madam Speaker. One more time. The Consumer Financial Products Agency is what I want to talk about right now.

What this is is an agency which collects the power of seven other agencies and concentrates it into one agency and says to that one agency: It is your job to protect the American consumer from dangerous financial products like predatory loans and like predatory credit cards and predatory payday lenders and people who would basically rob you of your middle class life-style. That is their job.

They have basically three things that they work on. The Consumer Financial Products Agency has three powers that they can exert, and it is not passed yet, but many of us are working hard on it.

One power it has, it has the power to do examinations, to say to a financial firm, hey, we want to look over what you're doing to make sure you're doing it fairly. They have that power to knock on the door and say, Are you doing the right thing? And if you're doing the right thing, you have little to worry about. But if you're selling financial products that are dangerous to consumers, you might have to worry.

Another power they have is enforcement. Whether it is rules, truth in lending, or some other law or act that is designed to protect consumers, this agency has the power to go in and say, You are selling a product where the terms and conditions are tricky and confusing and you cannot do that any more.

Let me give you an example. Let's just say I went and got a credit card and I had a 30-page contract associated with that credit card. And in that contract, you know, I can't read it, it's all legalese. It's too difficult to understand. I can tell you, I am a lawyer by trade. I practiced law for 16 years before I got this job. I have looked through some of these credit card contracts and can't make heads or tails of them. I know a lot of people who get credit cards, they are trusting that somebody somewhere is making sure that they are getting a fair product. Well, that someone, if we pass this bill, will be the Consumer Financial Products Agency.

Rather than taking the real information that you need, which is the real interest rate you are going to pay, the time you have to pay, the fees that might be associated if you have a default, meaning you are late on your credit card, and putting them way in the back of the credit card application, hidden up behind a bunch of legalese so they can say, ''Well, we told them.'' Because sometimes it is not that they don't tell you, it is they simply drown you with so much information you can't make heads or tails of this thing. The Consumer Financial Products Agency would have the power to say, You have to state the terms and conditions on one page in a clear way so people can make a decision whether they want your product or not, and they know exactly what they are getting themselves into. So that is the enforcement power.

Another power they have will be something called rulemaking. When Congress passes laws, sometimes there is a lot of space between the laws. What I mean by that is the law will say generally make sure that interest rates are reasonable; make sure that the date on which a payment is due is clearly stated.

Well, the Federal agency may have the power to say exactly what is required, and so the rules are important and the Financial Products Agency will have rulemaking ability, too. So they will be able to enforce the laws as they exist, promulgate rules to protect consumers, and do examinations to make sure that people are doing what they are supposed to do.

Now some people may say examinations, that might be kind of intrusive. Well, let me ask you this question: if somebody was doing an examination on Bernie Madoff, wouldn't that have been a good thing? If somebody said Bernie, open up the books and let me see what is going on.

Let me tell you, today's too-intrusive examination may be tomorrow's salvation of the financial system. So it is a good thing. The Consumer Financial Products Agency, it will be the agency that is there to look out after consumers. Right now we have it all spread out. The Fed has a little bit of responsibility. The Office of Thrift Supervision has a little bit of responsibility. The Comptroller of the Currency has a little bit of responsibility. The FTC, the Federal Trade Commission, has a little bit of responsibility. And it is all kind of spread out.

So what happens when Mom says to her five kids, clean the kitchen? And then she comes back from where she has been and the kitchen is still dirty. All of them say: I thought the other one was going to do it. That is how these things work. When you have dispersed responsibility, you also have dispersed action. So the best thing to do is to say, I want you to do it on this date. Then you have accountability. So we are going to take all of this responsibility for consumer protection and take it from all of these agencies and put it into one agency.

Some people will say, KEITH, don't you think that consumer protection should remain under the Federal Reserve Bank? That is where most of it is now; and you know what, they didn't do a good job. They were late on everything. They were slow on everything. In fact, in 1994—and I bet some people watching this broadcast right now, Madam Speaker, were not even born in 1994—the Congress passed a law that said, Federal Reserve Bank, you can enforce the law and protect consumers from tricky terms and conditions in mortgage lending. You can do something about tricky terms and conditions in mortgage lending. And you know exactly what the Fed did about it: Nothing. They didn't do anything. They did almost nothing.

□ 1645

They did almost nothing. As a matter of fact, it was 2006 and 2007 when they issued guidance on mortgage lending and the terms and conditions that we now know as predatory lending. It was even after that that they came with some guidance on the issue of credit cards.

So the Federal Reserve was given the power. They didn't use it, and we should take it from them. In my view, it's important to focus on this issue because the Federal Reserve already has its hands full dealing with monetary policy. The Federal Reserve Bank has a few important things they have to do. They have to control the money supply and make sure that the economy has enough liquidity so that people can get loans and gain capital for their businesses and so forth, and it also has the responsibility to make sure that the economy doesn't overheat and have inflation. So that's enough for them to deal with.

I don't think it's the right idea to say, Oh, also do consumer protection, because when consumer protection is shoved in there, too, what ends up being the last thing looked at? Well, consumer protection. So consumer protection is important all on its own, and there should be somebody whose job it is to focus on consumer protection. So that is one of the key features and one of the most important things that the financial services bill will protect.

Let me also move on to talk about another key feature of the financial reform bill, and that is putting an end to too-big-to-fail firms. Now, if a bank or a financial firm or a bank holding company is too big to fail, and if they get themselves in trouble, then all of us have to dig into the taxpayers' money to, what, bill them out. So any firm that is too big to fail is too big to exist. Any firm that is too big to fail and too big to have to deal with what happens when you make bad decisions in the marketplace shouldn't be around.

But sometimes we have to—we had to bail out these firms. Why? Because if they fail, they have all kinds of creditors, banks to whom they owe money. And then if they can't pay those folks, then those people who may have borrowed money can't pay the people who they owe. And if we had just allowed these banks to fail, it would have set off a ripple effect throughout the economy that could be in the proportions of the Great Depression. So it wouldn't have been responsible to let banks fail.

We know that the one bank that did fail, Lehman Brothers, caused serious and catastrophic losses throughout the whole world, not just the United States. Even my own State of Minnesota, their board of investment, their investment board lost about $58 million from Lehman Brothers' failing.

So the fact is that if we have a too-big-to-fail system, what that means is that the big banks can engage in hazardous, risky behavior, because they know at the end of the day, the American taxpayer is going to ride in to the rescue for them. And this is bad for our economy, bad for everybody else.

But the other thing wrong with too big to fail is it's not fair to smaller players in the market who provide choice, who provide competition, and who live by the decisions that they make. Because if some firms are too big to fail, then some other firms are too small to save. Is that fair?

So, for example, if I'm a huge bank like Citibank and I make some decisions that are poor ones and I start suffering the consequences of those decisions, then I'm going to get saved because I'm big. But if X, Y, Z community bank in Minneapolis makes bad decisions, they get dissolved. That is what FDIC is for, the Federal Deposit Insurance Corporation.

So we can't be in this situation. If we're going to have a mixed economy where we have government regulation and a free market together, we can't have a system where being big and making improper decisions and making risky decisions which costs your business its solvency, you're going to get bailed out, but the smaller ones, they just have to go suffer and deal with what sometimes is referred to as ''market discipline,'' meaning out of business.

So this too-big-to-fail thing, we have to do something about it. And what we do and what financial reform does is to say, Okay, we're going to have what's called a resolution fund, a resolution fund. What is a resolution fund? Well, a resolution fund is to resolve, is to close down, shut down, chop up, sell off, and end a firm that is systemically connected—a too-big-to-fail firm but has done things that are risky, and if they were to fall, they wouldn't be able to meet their creditor obligations, and their creditors would not be able to meet their obligations, and those folks wouldn't be able to make their obligations, and we would have a collapse in the system. So what we say is, look, these big firms have to pay into a fund on the front end, which then, if one of them fails, that fund would be the one to pay creditors so that the whole market doesn't fall, not the American taxpayer.

It's very similar to how the Federal Deposit Insurance Corporation works right now. I think the FDIC, if you have a deposit—money in a bank—you're insured up to about $250,000 of your money. You know that if this bank goes down, you're not because there's the FDIC.

Now, the FDIC says, if a bank goes down, the citizens—the depositor's not going to go down because we have the FDIC. But what if a big bank goes down and they owe money all around and, if they can't pay the people who they owe, then those people can't pay the people who they owe, and the next thing you know, the whole economy's going down? No, these people will be paid out of a fund which will then chop them up and will pay the creditors, and then they will be done and over with.

Now, some people argue that there should be a fund after the bank has failed, after there's been a too big to fail fall. In my opinion, that's not a good idea because, if a huge systemically large bank fails, it is going to have an impact on the market. It will drive the market down, and we'll be trying to collect money from people who didn't mess up after they have less money. And I think that's a huge mistake, but that is another point of view people have been sharing.

The fact is we need to have an antibailout fund, which is a fund that calls for a resolution of these systemically large firms when they make big mistakes and don't do the right thing that they should do for their depositors, for their shareholders, or for anybody else.

So we've talked a little bit about too big to fail. Now let's talk about mortgage reform and predatory lending. Many of you would like to know, Where did this whole problem start? It started in the consumer sector, and the consumer sector is where we need to address our energy. The mortgage reform and antipredatory lending section of this bill is to stop predatory and irresponsible mortgage loan practices.

It might shock Americans to know that, despite 2.8 million foreclosures last year, Congress has yet to pass an antipredatory lending bill. Many States have. My State of Minnesota has. But Congress has not yet passed such a bill. That will be part of financial reform as well.

There will be tough new rules on risky practices, practices like, if you buy a mortgage, no-doc and low-doc loans. That means that they don't try to find out whether you can pay the loan before you have to pay it back. They just loan you the money and may not even get documentation and may not even get proper information before they loan you money.

Now, these days, credit is tight, and people can't even hardly remember when money was flowing so freely. You may think to yourself, Why would somebody lend money unless they knew somebody was going to be able to pay it back? The reason is they would take that mortgage, which is documentation, paper, and they would sell that paper, and that would be securitized on the secondary market. So if I know that I can sell you a mortgage today and then take that stream of income that's supposed to come my way because I have loaned you that money and then sell it to somebody else, I don't really have to worry. It's almost like, as long as you're not the guy who is without a chair when the music stops, you just keep on going around in that game of musical chairs.

So we're going to have some rules to stop this practice to make sure that these risky practices don't continue. We're going to have rules in this bill, Wall Street reform, to curtail excessive speculation and derivatives and growing use of unregulated credit default swaps. And I want to talk about what a credit default swap is in a little while, but now I just want to talk about mortgage reform. We're going to require investment advisers to act for the benefit of the client under the law, exercising the highest care involved.

I have been joined by my friend from Florida, ALAN GRAYSON, who I think is here for another hour but is always welcome to join in on the conversation with me. So I yield to the gentleman.

Mr. GRAYSON. Would the gentleman be so kind as to yield the podium to me? I would like to speak from the lectern, if that's okay with you. Do you mind? Can we switch places for a few minutes?

Mr. ELLISON. That's fine. Come on down.

Mr. GRAYSON. I want to thank the gentleman for yielding his time temporarily and thank the gentleman for bringing up the important subject of the day, which is financial reform in America.

I want to thank the gentleman for this opportunity to talk about one of the key elements of financial reform in both the House bill and the now-debated Senate bill, which is auditing the Federal Reserve. And I want to congratulate the gentleman and, in fact, everyone in America because you now own a hotel chain. Congratulations. It's this one right here. You own the Red Roof Inn.

Now, I know what you're thinking. You're thinking, That's funny. I don't remember buying the Red Roof Inn. But the Federal Reserve Bank, in its wisdom, has done it for you. The Federal Reserve Bank has seen to it that you have the pleasure of ownership of this delightful chain of hotels that extends from sea to shining sea. You, America, you are now the owners of the Red Roof Inn chain. Congratulations.

Let me explain to you how that happened. Deep in the midst of ancient history, going all the way back to 2007, a foreign company decided they wanted to do a leveraged buyout of the Red Roof Inn chain. So they turned to Wall Street, and Wall Street in its magical ability came up with the money, $500 million, to do that. And part of that money, $186 million, came from entities that were formed strictly for the purpose of providing money so that somebody could end up controlling the Red Roof Inn other than the people who originally owned it. These foreigners were able to prevail on Wall Street to come up with the financing to buy the Red Roof Inn.

Now, at that point, the question was who was actually going to come up with the money, $186 million. The answer was Wall Street was going to find some sucker, some fool that would be willing to take $186 million out of his or her pocket and put it into the pockets of this management company, foreign owners. The problem was an earthquake hit Wall Street in 2008 before they could execute on this deal and hand this liability off to John Q. Public, and this financial hurricane that hit Wall Street prevented them from executing on their plan. They had to find some way to come up with somebody, some sucker who would take over the liability for this $186 million loan, secured only by this modest hotel chain of limited profitability being sucked dry already by its foreign owners.

So they looked around, and at this point, Bear Stearns was responsible for this. So Bear Stearns looked and looked and looked, tried to find somebody silly enough, unwise enough to stick this $186 million liability to, and then Bear Stearns, itself, went kaput, taken over by JPMorgan. JPMorgan moved in with the help of the Federal Reserve. The Federal Reserve arranged so JPMorgan could take over Bear Stearns' liabilities in general, but there were some liabilities that were so odorous, so awful that JPMorgan just wouldn't take them over even though the Federal Reserve was stuck with the liability for the great majority of those assets, and those became the Maiden Lane assets. And among those assets, the absolute dead loser assets, the assets that nobody in their right mind would want, the assets that were so terrible that JPMorgan wouldn't take them from Bear Stearns' pocket, from Bear Stearns' dead pocket even if the Federal Reserve was willing to pay for it, among those assets was the Red Roof Inn. And who ended up with that?

□ 1700

That's right, the Federal Reserve Bank—you know, that organization that dictates the money supply in this country, the organization that has this magical ability to make money out of nothing—they simply make notations on their records, and magically, they have more money than they had the day before. The Federal Reserve Bank decided that they would assume responsibility for a $186 million loan to a hotel chain. The Federal Reserve became the sucker of last resort, and in doing so, the Federal Reserve made you—you, America—the sucker of last resort.

Let's move on.

After 2008, pretty much nothing happened, because nobody knew about it. Nobody even knew what was inside the Maiden Lane LLC pot. Nobody knew it was the Red Roof Inn or anything else. Nobody knew. Why is that? Because we don't audit the Federal Reserve Bank. All they had to do was come up with a line on their balance sheet that read ''Maiden Lane LLC,'' and for 2 years, nobody knew what the heck was in it.

Then after enormous political pressure from Congress and from this entire country, the Federal Reserve gave us a list of assets and what they called ''notional value'' for those assets. You know, when you can make money, when you can create it, when you can just make it appear, everything is notional. Everything is notional. That's all there is.

Among those things that the taxpayers now have responsibility for through the Federal Reserve, as we found out at the beginning of this year, is this wonderful, enormously valuable—at least they want you to think this—chain of hotels called the Red Roof Inn. It stretches all the way from California to Maine. In fact, one of the properties happens to be the Red Roof Inn Convention Center property right in Orlando, right in my district. I am so proud. I think I'll stop by there and ask for a free room.

So what happened then?

Well, what do you think? It went bad—it went really sour—because, right now, it's not such a good time for the hotel industry. They leveraged the business to the hilt. They leveraged it up to here—a half a billion dollars—from a series of properties that barely made any money in great times, and now, as you may have noticed, it's not so great times.

So what happened is very simple. They are not paying on the debt. What was debt is now equity because when a company goes bankrupt and when it can't pay its creditors the creditors take over.

Interestingly enough, the Wall Street Journal reported just 2 weeks ago that the major creditors of the Red Roof Inn are moving in. They're saying they're not getting their money from this hotel chain. So the two other entities that put up the money to do this leveraged buyout to this foreign group are moving in. They're taking the hotels over.

They went to Citibank, and they asked, Citibank, what are you doing? They said, Well, we're working it out with them. We're moving in. We're taking over the hotels.

They went to the third entity, and they asked the third entity, What are you doing? Well, we're trying to work it out with them, but we're taking over the hotels. That's the collateral.

Not a single word from the Federal Reserve. Not one single word. Wouldn't it be nice to know what happened to the $186 million that they put up? We don't know because we don't audit the Federal Reserve, so we can't know. There is no way to know right now. The Federal Reserve may be, for all we know, letting these other sharks, these other Wall Street sharks—Citibank and the other entities—move in and take over all of these hotels. Maybe they're doing nothing to defend the right of the taxpayers to these assets. We don't know. We just don't know because we don't audit the Federal Reserve.

So, America, congratulations. You own a hotel chain. In fact, if you keep this up, America, you'll own a whole bunch of hotel chains because it turned out that of the Maiden Lane LLC pot of money that the Federal Reserve assumed liability for 86 percent of that is called the hospitality business. So, America, before long, take a look. You'll have enough to put a hotel on Marvin Gardens, on Park Place and probably on Boardwalk, too. You'll own all of the hotels in America. Isn't that something? Isn't that something? You didn't even know it.

But look. That's not all the Federal Reserve has put up. The Federal Reserve has put up a half a trillion dollars in mortgage-backed securities. What are ''mortgage-backed securities''? They are securities backed by mortgages. They are securities backed by homes.

So guess what, America? Before long, not only will you be owning hotel chains around this country, but you will be owning houses, too—maybe your neighbors' houses, maybe your own houses. Though, not exactly, because, you see, when the Federal Reserve owns an asset, you don't exactly own it. In fact, since we don't audit the Federal Reserve, you don't own it at all. You have no control over it. Actually, what is happening is that when these mortgages go bad the Federal Reserve owns your home, and if you can't make the payments, the Federal Reserve becomes your landlord.

So isn't that interesting?

For all of this time, we've been hearing about socialism, communism, about the creeping government control of our economy, how we shouldn't have the government owning GM, how we shouldn't have the government owning major banks. It has been happening by stealth because we don't audit the Federal Reserve. How else could it possibly be that we could end up owning a hotel chain and not even know about it?

If you are concerned about socialism in this country, if you are concerned about communism, about government control, let's audit the Federal Reserve, and let's find out once and for all who owns the hotels, who owns the houses. This wild beast that creates money out of nothing and jams it into the pockets of special interests like Maiden Lane, like Bear Stearns, like JPMorgan, and like all of their friends, let's put them under some degree of restraint before it all comes crashing down—these hotels, these houses—before it all comes crashing down on us. Every time the Federal Reserve makes that money, every time they do that, every time they create that dollar by their magic, they are taking the dollar that is in your pocket, and they are making it cheaper—worthless.

Mr. ELLISON. Okay. Let me reclaim my time now.

Mr. GRAYSON. If the gentleman would yield, let me say one last word: audit the Federal Reserve.

Thank you very much.

Mr. ELLISON. Let me just add that the gentleman's presentation is not a part of the Progressive hour. I thought we were going to talk about financial reform. I'm not going to yield back to the gentleman right now, but I thank the gentleman for his presentation. I thought it was informative. Certainly, it is part and parcel of this whole dialogue, of this national debate we're having about financial reform. Certainly, getting to the bottom of our financial situation in America is important. We need to find out all we can about what happens with our banking system, and the Federal Reserve is also extremely important.

So I was talking about the importance of the bill. First, I talked about the Consumer Financial Products Agency. I moved on to discuss further the regulations that would take place in mortgages, so we would focus on making sure that mortgages which are poorly underwritten and which are then sold into the secondary market will be something financial reform will stop. We'll bring that to a close.

Let me now move on to another element of the financial meltdown which will be addressed by this important financial reform: irresponsible compensation practices. The fact is that one of the things we have seen in this whole financial meltdown is that not only have Americans been losing their homes—2.8 million foreclosures last year—but we've been seeing some of the most outrageous compensation from the financial services industry itself, with much of the compensation emerging from the very firms that the American people came together to bail out in the first place.

The financial reform bill addresses perverse pay practices that encourage executives to take excessive risks. If an executive can engage in a practice that is risky and bad for the firm and then can get paid a lot for it and can end up making money, they get the money. Yet, if they don't make any money and drive a firm into the ground and hurt the depositors and creditors in the process, they still make a lot of money. This is not a good practice. So financial reform talks about executive compensation. It discourages executives who take excessive risks at the expense of their companies, of their shareholders, of their employees, and ultimately, of the American taxpayers.

For the first time ever, shareholders of publicly traded companies will have an annual, nonbinding say-on-pay vote on compensation packages and on golden parachutes for top executives. If you look at the history of Merrill Lynch, this is a company that basically careened into the ground and ended up being in such a financial state of affairs that it was either going to go under or it was going to be bought. It ended up being bought by Bank of America, but the CEO who was guiding that company ended up leaving with $150 million of compensation. This is not only an affront to the hardworking American people, but it also sets up perverse incentives, the wrong incentives, for people who are at the head of these firms so that they can't make good decisions and do the right thing by American companies.

The bill also requires financial firms with at least $1 billion in assets to disclose to Federal regulators any incentive-based compensation structures. Federal regulators will then be authorized to ban any inappropriate or risky compensation practices that pose a threat to the financial system and to the broader economy. The legislation also comes in response to a broad consensus among many leading financial experts, including Paul Volcker and others, who believe that compensation structures played a role in the financial crisis of last year.

I also want to talk about investor safeguards. One of the things that financial reform will bring forward are safeguards for people who invest. Now, some people might say, you know, I don't trade stocks, but if you have a 401(k) or if you have a pension, you actually do so indirectly. As a matter of fact, recent events, such as the massive $65 billion—with a ''b''—Madoff Ponzi scheme and the $8 billion Stanford financial investment fraud, highlight the need for comprehensive reforms of the regulatory system that failed so many investors.

To better safeguard investors in the future, the bill will enhance the SEC's enforcement powers and funding by doubling its authorized funding over 5 years. That means it is going to have more people to do the job—more policing, more cops on the beat. This will enable the SEC to obtain the tools needed to better protect investors and police today's markets.

The financial reform bill will also create a whistleblower bounty program with incentives to identify wrongdoing in our securities markets and with rewards for individuals whose tips lead to successful enforcement actions. With a bounty program, we will effectively have more cops on the beat for security regulation. The failure to detect the Madoff and the Stanford financial frauds demonstrate deep deficiencies in our existing securities regulatory structure. The bill also calls for an independent, comprehensive study of the entire securities industry to identify reforms and to force the SEC and other entities to improve investor protection.

The Madoff fraud also revealed that the public company accounting oversight board lacked the powers it needed to examine the auditors of brokers and dealers. In addition, it exposed the fault of the Security Investor Protection Act, SIPA, and the law that returns money to customers of insolvent, fraudulent broker-dealers. The bill closes these loopholes, and it fixes these shortcomings. So investor protection is an important part of financial regulatory reform—reforming Wall Street.

So whether we're dealing with too big to fail, whether we're dealing with exploitive and abusive predatory lending practices, whether we're addressing issues with regard to investors or whether we're addressing other markets and consumer protection in general, this financial reform bill is important. It is important for people to know what good it is going to do them and the difficulties that it will present in the future for people who want to keep the status quo.

As for the people who want to keep the status quo, we have already talked about them. There are massive amounts of money being spent to stop regulatory reform. What we need is real reform, consumer protection and financial stability. We need a dissolution authority for too-big-to-fail banks. We need executive compensation reform, say-on-pay. We need investor protections, and we need something called ''regulation of derivatives.''

Now, when AIG first hit the news, a lot of people were asking, What is a ''derivative''? AIG, American Insurance Group, is a huge insurance company. A unit of this huge insurance company actually was issuing these derivatives known as credit default swaps. In simple language, a ''credit default swap'' is like insurance. It's not insurance, but it's kind of like it. What it means is that you can buy it as sort of like an insurance policy if the value of interest you expected to receive or the value of the bond is not coming back to you in the way that you thought. So you could buy credit default swaps. If the value of this mortgage-backed security drops, then I am going to collect on an insurance policy that can cover me if this happens.

The only problem is that I say it's like insurance, but it's not. If it were insurance, you would have an insurance regulator who would require that the company would have to have enough capital in its books to cover losses and claims based on losses.

□ 1715

But in this particular situation, that kind of reform was not in place. That kind of regulatory control was not in place. So when mortgage-backed securities began to decline and people who bought credit default swaps to hedge the risk against them, those people came to make claims, and AIG did not have the money to meet those obligations, which then put the United States taxpayer on the hook, and now we own essentially AIG as well.

This is not a good thing. The market is not supposed to operate like that. And derivative reform is an important part of what we need. Derivatives are an important financial instrument. They will be traded on an open market; and whenever they are not or are not amenable to be traded on an open exchange, they will be required to be reported to the authorities so that there is some transparency and some real information about what is going on in the derivatives market.

THE FINANCIAL BAILOUT BILL

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from Texas (Mr. GOHMERT) is recognized for 60 minutes as the designee of the minority leader.

Mr. GOHMERT. Madam Speaker, it has been an interesting week. It's been an interesting time. And there are things that we agree on between our parties.

I heard my friends across the aisle talking about we need to have an audit of the Federal Reserve, and that is certainly something that I agree with and everybody on my side I know agrees with. We ought to have an audit of the Federal Reserve. As Newt Gingrich has said repeatedly, if transparency is good enough for the CIA, it ought to be good enough for the Federal Reserve. We need to know what they are committing us to. We need to know what they're doing, how much trouble are they getting us in. Those are things that need to be known. So I am delighted to hear my friends across the aisle join us in our cry for an audit of the Federal Reserve.

The difference between friends on this side and friends across the aisle is that my friends across the aisle have the numbers, they have the power to get an audit done of the Federal Reserve. There are a number of things that can be done when you control the House and the Senate and the White House. And even if the White House doesn't agree, which they very well may not because of all the shenanigans that have been going on in the financial realm, the Congress still controls the purse strings. And there are things that can be done in this House and down the hall in the Senate that would bring this to a head and would have the Federal Reserve crying uncle, uncle, all right, we will go ahead and allow the audit. It ought to be done. Enough of the shenanigans, blaming one side or the other.

Well, the majority party has such a massive majority, it's a real easy thing to get done, and I would be delighted if we had colleagues across the aisle that would come together with us on this side and require that audit of the Federal Reserve so we would know what has actually been going on so we could set some goals and go about fixing this economy, fixing this broken financial system so we could get it back on a road that makes some sense.

Now, I have heard my friends across the aisle talking down here today and as well yesterday evening about the financial bailout, and I was rather disappointed. I know some, like my friend MARCY KAPTUR, have been adamant about the problems going on in the financial system going back to the fall of 2008. And she and I, there are many things we don't agree on, but we are both for complete transparency—she has been there all along—and demanding full responsibility and accountability in the financial sector. And I have been so pleased with things she said in the last couple of years on this issue since the TARP bailout in September, October of 2008.

But then hearing other colleagues across the aisle talk about Republicans are trying to stop financial reform because Republicans are so closely aligned with Wall Street? I mean, that theme has been played long and loud