The worst thing we can do is simply stand by, watch farmers plant their crops, and then watch those crops fail. So I want to say now that there is a big compliment owed to the Departments of Agriculture, Commerce, and Interior for their prompt and engaged action. I know Senator WYDEN and I will stay equally engaged. It is no exaggeration to say that without Federal assistance and cooperation with local and State officials, the impending drought will result in disaster for Klamath Basin communities. So I urge my colleagues to work with me to meet this challenge and avoid this calamity.

Thank you, Mr. President.

The PRESIDING OFFICER. The Senator from Vermont is recognized.

THE ECONOMY

Mr. SANDERS. Mr. President, I wish to say a few words about the nature of the economy today, the cause of the very deep recession we are currently in, and what I think we have to do about it.

Right now, our country is experiencing the worst economy since the Great Depression of the 1930s. While officially unemployment is 9.7 percent, the reality is that we have some 19 percent of our people who are either unemployed or underemployed, people who would like to work 40 hours a week but they are only working 20 or 30 hours a week.

The crisis we are addressing today is magnified by the reality that the recession for the middle class and working families of this country did not just begin in the fall of 2008 with the financial crisis. In fact, the middle class has been collapsing for a very long time.

During the Bush administration, over 8 million Americans slipped out of the middle class and into poverty. Today, some 40 million Americans are living in poverty. During the Bush years, median household income declined by over $2,100. Middle-class Americans earned more income in 1999 than they did in 2008, and middle-class men earned more money in 1973 than they did in 2008, with inflation being accounted for.

When we look at people in this country who are angry, there is the reason. After working long and hard hours, tens of millions of Americans find themselves in worse economic shape today than they were in 10 years ago or even 20 years ago. Meanwhile, while the middle class shrinks and poverty increases, while more and more people lose their health insurance—so today we have 46 million with no health insurance at all—while 4 million American workers have lost their pension over the last 9 years, we continue to see in this country the most unequal distribution of wealth and income of any major country on Earth. That growing inequality is a moral obscenity, but it is a very serious economic problem as well. Because we become a nation in which very few have a whole lot, while a whole lot of people have very little.

The immediate recession was caused, as I think everybody knows, by the greed, the recklessness, and the illegal behavior of a small number of giant financial institutions on Wall Street. These people were not content to be making 40 percent of the profits being made in America. Their CEOs were not content to earn bonuses of tens of millions of dollars a year. The hedge funds were not content to have their owners and managers become billionaires. No, that was not good enough. So what these financial tycoons had to do was to develop and produce worthless, complicated financial instruments which plunged our country and much of the world into a deep recession.

To the frustration of the American people, a year and a half has passed since the financial collapse and what has happened? What actions has the Congress taken to rein in Wall Street, to tell Wall Street that their greed is not acceptable in this country, that they cannot continue to go forward with actions that destroy our economy and the lives of millions of people?

Within a short period of time, the Senate will be considering legislation dealing with financial reform. I wish to congratulate Senator DODD and others on the Banking Committee for the hard work they have done in producing a bill which, in a number of ways, moves us forward. But what I wish to say this evening is that moving us forward is not good enough. The American people want an end now to the recklessness and irresponsibility of Wall Street. They want an accounting and they want real change. They want, in my view, a new Wall Street which invests in the productive economy of small- and medium-sized businesses that actually produce real products and real services and which actually create real jobs, rather than the activities of Wall Street, which is a giant gambling casino, playing with financial instruments that nobody understands and which, at the end of the day, produces nothing real.

As the debate over financial reform moves on, I intend to play an active role in fighting for a number of concepts. Let me enumerate a few of them.

No. 1, right now, people in the State of Vermont, in the State of Colorado, in the State of Rhode Island, and all over this country are paying usurious interest rates on their credit cards, and I use the word ''usury'' advisedly. We now take it for granted, and we accept the fact that our friends and neighbors and family members are paying 20, 25, 30, 35 percent interest rates on their credit cards. That is wrong. That is unjust. In fact, according to every major religion on Earth—Christianity, Judaism, Islam—it is immoral. It is immoral to lend money to people who desperately need that money and then suck the blood out of them because, when they are desperate, they are going to have to pay 30 or 35 percent interest rates. That is immoral. That is wrong.

Over the years, a number of States, including Vermont, have said: We are going to prohibit usury. You can't do it. You can't charge more than 10 percent, 12 percent, 15 percent, whatever it is. But all those laws were made null and void by a Supreme Court decision which resulted in credit card companies being able to go to States which had no usury law and, therefore, they could sell their product all over this country with no limit.

Let us be clear. Those large financial institutions that are charging Americans 25, 30, 35 percent interest rates on their credit cards are no better than loan sharks. In the old days, what loan sharks used to do was break kneecaps if people couldn't repay their loans. Well, these guys don't break kneecaps, but they are destroying lives just the same. People are desperate. They are borrowing money. We have all been to the grocery store and have seen people buying bread and milk with their credit cards, gas to get to work with their credit cards, because that is the only source of revenue they now have available to them, paying 25 to 30 percent. We have to eliminate that once and for all.

I will be bringing forth an amendment which does nothing more than what credit unions now exist under. Credit unions in this country, by law, cannot charge more than 15 percent interest rates, except under exceptional circumstances, and now they can go up to 18 percent, but most of them don't; the vast majority of them don't. I don't think that is asking too much.

Secondly, I am going to bring forth language which will increase transparency at the Federal Reserve. This is an issue, interestingly enough, that brings some of the most conservative Members and some of the most progressive Members together. I remember a year or so ago the chairman of the Fed, Ben Bernanke, came before the Budget Committee on which I serve, and I asked him a very simple question. I said: Mr. Bernanke, my understanding is that you have lent out trillions of dollars of zero interest loans to financial institutions. Trillions of dollars. Can you please tell me and the American people which financial institutions received that money and what the terms were. I don't think that was an unreasonable question—trillions of dollars.

He said: No, Senator, I am not going to do it.

We have since introduced legislation to make them do it, and so forth and so on.

It is beyond my comprehension that we do not know which financial institutions have received trillions of dollars of zero or close to zero interest loans. We don't know about the conflicts of interest that may have existed.

In that regard, let me talk about a scam which is quite unbelievable that goes on today. What goes on today is, companies such as Goldman Sachs borrow money from the Fed—and I have no reason to doubt that Goldman Sachs also was on the receiving end of these zero interest loans—and they borrow this money for a tenth of a percent, maybe a quarter of a percent, and then they take that money and they invest it in U.S. Treasury securities at 3.5 to 4 percent. That is a pretty good deal. Talk about welfare. Borrow money at zero or half a percent, lend it to the U.S. Government, which has the entire faith and credit of American history behind it, and you make 3 percent, 4 percent. What a deal. That is a pretty good deal. I think we have to end those types of practices and we have to move forward with real transparency at the Fed.

The other thing we have to do, which is enormously important, is have these large financial institutions start lending money to small- and medium-sized businesses that are prepared to create meaningful jobs in this country.

Earlier today, I think the Presiding Officer and I heard from former President Clinton, who made a very important point. He believes—and I agree with him—we can make profound changes in our economy; that over a period of years we can create millions of jobs as we transform our energy system away from fossil fuels to energy efficiency and to sustainable energy. There are small businesses in the energy business in this country that are ready to go, to create the jobs, if they can get reasonable loans, and they can't get that money today. We can transform our energy system. We can give a real spirit to our economy. We can create good-paying jobs, but we have to demand that Wall Street start investing in the real economy.

Another issue I intend to play an active role in is this issue of too big to fail. I have said it once. I have said it many times. If a financial institution is too big to fail, it is too big to exist. We now have four major financial institutions which, if any one of them collapsed today, would bring down the entire economy, and what we have to do is start breaking them up now—now. We have to take action at this point.

I think the American people are angry and they are angry for some good reasons. They are hurting financially. As I mentioned earlier, there are millions of Americans today who have seen a substantial decline in their income and are working incredibly hard and they are wondering what has happened. Then, despite all that, with the trend that has led to the collapse of the middle class as a result of Wall Street greed, we have been driven into a major recession.

The American people want us to have the courage to stand up to Wall Street. I should say that in 2009 alone, our good friends on Wall Street who have unlimited resources spent $300 million in lobbying this institution. They spent $300 million. When they fought for the deregulation over a period of 10 years, they spent $5 billion to be able to engage in the activities which they did engage in and that led us to the recession we are in right now.

So these guys, I guess they can borrow zero interest loans from the Fed—I don't know if they can use that for lobbying or whatever—but they have an unlimited sum of money. I think the American people want us to have the courage to stand with them, to take these guys on no matter how powerful and wealthy they may be. I think the eyes of the country and the eyes of the world will be on what we do.

With that, I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

COOKING THE BOOKS

Mr. KAUFMAN. Mr. President, last Thursday, the bankruptcy examiner for Lehman Brothers Holding Company released a 2,200-page report about the demise of the firm, which included riveting detail on the firm's accounting practices. That report has put into sharp relief what many of us have expected all along: that fraud and potential criminal conduct were at the heart of the financial crisis.

Now that we are beginning to learn many of the facts, at least with respect to the activities at Lehman Brothers, the country has every right to be outraged. Lehman was cooking its books, hiding $50 billion in toxic assets by temporarily shifting them off its balance sheet in time to produce rosier quarter-end reports. According to the bankruptcy examiner's report, Lehman Brothers's financial statements were ''materially misleading'' and said its executives engaged in ''actionable balance sheet manipulation.'' Only further investigation will determine whether the individuals involved can be indicted or convicted of criminal wrongdoing.

According to the examiner's report, Lehman used accounting tricks to hide billions in debt from its investors and the public. Starting in 2001, that firm began abusing financial transactions called repurchase agreements or repos. Repos are basically short-term loans that exchange collateral for cash in trades that may be unwound as soon as the next day. While investment banks have come to overrely on repos to finance their operations, they are neither illegal nor questionable, assuming, of course, they are clearly accounted for.

Lehman structured some of its repo agreements so the collateral was worth 105 percent of the cash it received—hence, the name ''Repo 105.'' As explained by the New York Times' DealBook:

> That meant that for a few days—and by the fourth quarter of 2007 that meant end-of-quarter—Lehman could shuffle off tens of billions of dollars in assets to appear more financially healthy than it really was.

Even worse, Lehman's management trumpeted how the firm was decreasing its leverage so investors would not flee from the firm. But inside Lehman, according to the report, someone described the Repo 105 transactions as ''window dressing,'' a nice way of saying they were designed to mislead the public.

Ernst & Young, Lehman's outside auditor, apparently became comfortable with and never objected to the Repo 105 transactions. While Lehman could never find a U.S. law firm to provide an opinion that treating the Repo 105 transactions as a sale for accounting purposes was legal, the British law firm Linklaters provided an opinion letter under British law that they were sales and not merely financing agreements. Lehman ran the transaction through its London subsidiary and used several different foreign bank counterparties.

The SEC and Justice Department should pursue a thorough investigation, both civil and criminal, to identify every last person who had knowledge Lehman was misleading the public about its troubled balance sheet—and that means everyone from the Lehman executives, to its board of directors, to its accounting firm, Ernst & Young. Moreover, if the foreign bank counterparties who purchased the now infamous ''Repo 105s'' were complicit in the scheme, they should be held accountable as well.

It is high time that we return the rule of law to Wall Street, which has been seriously eroded by the deregulatory mindset that captured our regulatory agencies over the past 30 years, a process I described at length in my speech on the floor last Thursday. We became enamored of the view that self-regulation was adequate, that ''rational'' self-interest would motivate counterparties to undertake stronger and better forms of due diligence than any regulator could perform, and that market fundamentalism would lead to the best outcomes for the most people. Transparency and vigorous oversight by outside accountants were supposed to keep our financial system credible and sound.

The allure of deregulation, instead, led to the biggest financial crisis since 1929. And now we are learning, not surprisingly, that fraud and lawlessness were key ingredients in the collapse as well. Since the fall of 2008, Congress, the Federal Reserve and the American taxpayer have had to step into the breach—at a direct cost of more than $2.5 trillion—because, as so many experts have said: ''We had to save the system.''

But what exactly did we save?

First, a system of overwhelming and concentrated financial power that has become dangerous. It caused the crisis of 2008–2009 and threatens to cause another major crisis if we do not enact fundamental reforms. Only six U.S. banks control assets equal to 63 percent of the nation's gross domestic