And in the wake of the recent Supreme Court ruling, which dealt a major blow to campaign finance reform, I believe we need to take steps to minimize the ability of giant corporations to influence elections. We need to keep companies from overriding the voice of the people in Congress.

Our system is designed for incremental change, so none of these things will come easily.

But the agenda set by this President, and the demands of this trying moment in history, dictate that we must set aside our partisan differences and come together to solve big problems.

We have made gains over the last year, and we are continuing to make tangible strides almost every single day.

So I would like to talk about what this means for my home State of Illinois.

When Congress passed a sweeping economic recovery plan about a year ago, this country was losing more than 700,000 jobs a month, and the economy was in freefall.

Today, the economy is growing for the first time in 2 years, and job losses have fallen to a tenth of what they were last year.

For ordinary Illinoisans, this has made a real difference.

In Danville, IL, recovery act funding created 20 jobs at the East Central Illinois Community Agency. It put additional police officers on the street and created 14 jobs at the local housing authority.

It created summer jobs that allowed local kids to help support their families. It helped fund a Head Start program in neighboring Gibson City, and it funded three local projects through the Illinois Department of Transportation.

This is the measurable impact our legislation has had on only one community in Illinois.

But letters and phone calls and news stories have been pouring into my office from across the State, and the message is always the same.

From Danville, to Chicago, to Rockford, to Elmwood Park, I have heard from Illinoisans who have felt the positive effects of our new economic foundation.

We must not forget that America is still on the road to recovery. But our policies have already made a real difference in people's lives.

One Danville business owner even said: ''I was leery of the whole stimulus thing at first, but they got it right.''

That is why it is time to look ahead.

It is time to redouble our efforts and prove our commitment to the values the American people voted for in the last election.

The national economy is no longer in freefall, but there are still far too many people without jobs and far too many families that are struggling to make ends meet.

We need to use the remaining recovery act funds to create more jobs in cities such as Danville, IL, and across America.

We need to provide tangible help to the small businesses that form the backbone of our economy, and the local banks that are essential to our national prosperity.

As a former banker myself, I understand how important these institutions are to the communities they serve. And I know they are hurting badly right now.

I am grateful that the President shares my support for these initiatives. And I look forward to working with my colleagues in the Senate and with the administration to take action.

Already, President Obama's speech is being analyzed by the media as a partisan rallying cry, a recap of the administration's record, and a dozen other things.

But as I sat on the House floor last night, I heard more than that.

I heard a bipartisan call to arms, a sober recognition of the current situation, and a strong vision for job creation, continued economic recovery, and healthcare reform in the coming year.

The truth is, the American people do not need politicians in Washington to tell them about the current State of the Union.

They are the Union. They know about the challenges we face, and the distance we have yet to go.

They do not care about partisan politics, or electoral math, or which party has the majority in Congress.

The American people are interested in the answer to one question: Where do we go from here?

So, as we set out to tackle the ambitious agenda that was laid out last night, we must approach these proposals with the same mindset.

We must draw our energy and our strength from the American people, and summon the principles and ideas that can make that vision a reality.

This is not about scoring political points or winning elections.

It is about how we move forward together as a Congress, as a nation, and as a people.

It is about making a difference for the hard-working people of Illinois, and every other State in the country.

This is a time to be thoughtful and reflective and forward-thinking, but it is also a time to roll up our sleeves.

Colleagues, as President Obama reminded us last night, this is a time for bold action.

So today, let us get to work.

The PRESIDING OFFICER. The Senator from Washington State is recognized.

BERNANKE NOMINATION

Ms. CANTWELL. Madam President, I rise to speak on the vote we had earlier on the nomination of Ben Bernanke to be the Federal Reserve Chairman. While I did not support Mr. Bernanke's reconfirmation to that post, I would like to take the time now to talk about that vote and my concerns and the challenges I think our country faces moving forward.

When I look at this issue, I know that not one administration or not one Fed Chairman got us into the mess we are in. In fact, it is not even to be blamed on one party. What this is about is how we move forward with complete transparency and the proper regulation to give certainty and predictability to our financial markets. I will do my best to represent my constituents with the proper level of oversight on these issues, but I heard loudly and clearly from my constituents in December that they are, as small business owners, at the end of their rope without access to capital and that community banks are not lending. So that is where I am spending my time and focus now, in urging both the Fed and Treasury to act, without passing legislation but act now to get recovery programs specifically working for community banks that need access to capital and for those small businesses that are the engine of economic growth for our economy.

While I know many of my colleagues think programs that came out of the TARP funding, such as the original TALF Program or even the Treasury Secretary's announced program in December, are things that have been in the works, I can tell my colleagues that my constituents started this debate in earnest with credit default swaps and the concern about large banks but are having a hard time, as I am, understanding the logic and the strategy that one day closes one of the largest banks in America and one of the largest banks in our State, Washington Mutual, wiping out 30,000 creditors and basically putting in jeopardy the retirement of many employees, and then 4 days later we pass a TARP bill. I believe the government picking winners and losers at that point in time was the wrong approach, and I advocated for an equity program.

But today my constituents want to know why it is that it was easy to figure out how, with loans and assets and the credit activity of the Fed, over $1 trillion could be pumped into AIG at 100 cents on the dollar and yet small business owners in the State of Washington—and my guess is around the country—basically had capital cut from right under them.

When I think about what happened, it breaks my heart. To think about a company such as Vancouver's Columbia Gem, where the Bank of Clark County was shut down and assets moved over to another bank across the river, Umpqua Bank, that received TARP funds. But where was the help for the small businesses that had performing lines of credit at that bank? What happened to them? I will tell you what happened to them. Even though they had performing lines of credit, their funds were cut out right from under them. In fact, it forced the owner of that company to try to fund the operation of that business out of his own pocket.

Another business in that area, Beaches Restaurant, immediately their line of credit was frozen after the takeover.

Vancouver Iron and Steel was current on all its loans and even eked out a small profit in 2008 and never missed a bank payment. But Vancouver Iron immediately lost its $1.5 million line of credit after the FDIC took over.

How is it we can act immediately to save the AIGs but we can't act immediately to save companies such as Vancouver Iron and Steel? I guarantee Vancouver Iron and Steel was not cooking up dark market derivatives, creating credit default swaps that destabilized our economy. Nor is Vancouver Iron and Steel continuing to operate derivatives in dark markets. No, they have nothing to do with that. They are manufacturing product for America and abroad and producing jobs. The fact that we continue to make it hard for them to get access to capital is one of the reasons why I voted against Mr. Bernanke. The Fed Chairman has to realize the urgency with which the big banks have been bailed out and saved. That urgency has to be applied to Main Street. I know they are trying. I applaud the President for last night saying he is going to put forth $30 billion to help with access to capital for community banks. I urge him to do that within the administration.

While I am sure my colleagues could give input, to basically spend another 2 or 3 months waiting for small businesses to get access through community banks, more and more business bankruptcies will happen. While that is a program to get right, it is very clear to Americans that when we want to act with urgency, this government can act and the Fed can act and the Treasury can act to solve these problems.

I urge the Fed now and the Treasury to give consideration to making this their No. 1 priority, to get capital to these community banks as urgently as possible through an equity program that gives them the infusion it will take to get capital back to Main Street.

There are other reasons why I did not support Mr. Bernanke. As I said, this is not one Fed Chairman's problem or one administration's problem. This has been caused by policies over the last several decades, prior to the repeal of Glass-Steagall, in which we continued to say deregulation of these markets was unimportant. The policies at the Commodity Futures Trading Commission and other policies that allowed for this kind of dark market activity of derivatives to grow into an international $56 trillion industry are the policies that have brought us to this point. We now have to have the urgency and the leadership of everyone involved to think creatively about the urgency of getting capital to community banks and small businesses and the reforms that must be put in place now, not to check a box, not to say we did reform, not to say we are responding to something that has happened recently but to move our economy forward with the transparency and proper regulation that will provide for international stability.

When I see from some of the well-known economists and investors across the globe that another bubble is forming, that this problem we think somehow we have corrected by passing TARP and doing other things is going to be alleviated, these individuals are signalling that another bubble in the exact same situation could happen again, I want to see the Fed and Treasury advocate on the Hill the policies that will give us complete transparency and regulation to assure Americans and those participating in financial markets around the world that they will function with certainty and predictability, that they are not going to be inflated with something that has no real value behind it such as the credit default schemes or, should I say, naked credit default schemes that we are trying to outlaw on the Senate floor.

I know what has happened with the regulatory reform legislation so far that has come through Congress. There have been many attempts to water it down. I am not blind to what I think the challenges will be to pass this legislation when it comes to the Senate. That is why I want to see a Fed Chairman and a Treasury Secretary who are leading the charge for the principles of regulatory reform that will correct these problems with the markets, not to be for a few policies that might sound good, such as: Let's reduce systemic risk—I am for reducing systemic risk—or not to say: We want a consumer group. I am for a consumer group. But the heart of this issue is whether we are going to properly regulate derivatives, whether we are going to pass a law that says: Manipulative devices or contrivances of these markets are a Federal crime. Not only will you pay a penalty, you will go to jail.

I get that many in the markets believe there is no way we can possibly control all the new tools and all the new financial terms people can come up with to deviate from the standards that are set. But I know this: Setting a statute in place and going back to Glass-Steagall can separate the risk to the taxpayer of having their money and their capital used to continue to prop up dark market activities. I certainly believe we have to have derivatives regulation. But the tactic of now saying we can have that by definition, by saying no proprietary trading on these companies, I guarantee you we will be debating the meaning of the words ''proprietary trading.'' The consequence will be there will be lots of money flowing into dark markets.

I believe in the financial wherewithal to raise capital in America. It is one of the greatest things about our country. It is one of the greatest things that makes us competitive, the fact that we can create capital in such an inspiring way and that we can have, in an information age, the kind of public financing of ideas and creativity that continues to have us lead the way. But I ask my colleagues to look at how many IPOs have been created lately. I ask them to look at how much money has gone into the small businesses and community banks loaning to small business juxtaposed to the amount of money that has gone into derivatives. The truth is, you make more money on derivatives. So why would you put your money into investing in IPOs? Why would you put your money into the small businesses?

What is happening is more and more concentration into the large banks that then thwart the opportunities for small community banks to truly be competitive with them. Then what happens? Less and less capital, less and less opportunities for small business or, as I saw recently, even the fact that some of the small business newspapers in this country haven't been able to get access to capital. They are going to end up in the hands of bankers. I don't know if those are big banks or small banks, but I know this: Small businesses deserve to have a choice of lenders, a diversity of market-size banks, and a Fed chairman who will pay attention to that issue. We live in a unique time, created by at least two decades of deregulation of markets that are now going to create another bubble.

My vote against the Fed Chairman has to do not with the past but with the future, the future prevention of another bubble, of more bankruptcies of small businesses, of getting our regulatory policies and our transparency of markets in place so the United States can get back to both the innovation and job creation but financial markets that the United States leads in around the world, that we are not 10 years from now seeing the kind of dark market activity around the globe that has transpired here. Instead, the United States, as the President says, learns from a teachable moment and leads the rest of the world on the types of markets and transparency we expect.

I hope the Fed Chairman will embrace this task of a more robust leadership on the policies and regulation that need to be put into place to prevent another bubble and to helping immediately small businesses. I don't want to leave the American people with the thought that somehow Wall Street is more important than Main Street. That is not what sent me to Washington, and it is not what sent my colleagues. I hope we will work in earnest, as Republicans and Democrats, to urge the administration and the Fed to immediately adopt and implement a program to give community banks and small businesses access to capital.

One of the people I met with is a small businessman whom I used to see while eating in his restaurant many times, particularly working late at night, when I worked for a software company. When I was home in December, I found that after 55 years he was going out of business. After 55 years in his family, they were going out of business. The downturn definitely took its toll. He wasn't getting access to capital. He held on for an entire year, not laying off one employee, keeping everybody he could instead of cutting them. The end result, after that year, without any more resources, without any more access to capital, he had to close that business. Not only that, because he mortgaged his house, he was probably going to lose his house. He put his restaurant up for auction. He told me, if he was lucky, he would probably get $10,000 for it. Fifty-five years in business, weathering several downturns, not laying off any employees, he wanted to know where his lifeline was during this crisis.

I am going to devote my time and energy, along with working with the President on his commitment, to making sure this program for community banks and small businesses gets implemented as soon as possible.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Madam President, let me thank my colleague from the State of Washington. She has been tireless in trying to address these issues, both in legislation and on the floor of the Senate during debate, and it is so important.

I, too, voted against Mr. Bernanke's nomination today, and I wish to explain why. It is certainly not that I believe Mr. Bernanke is a bad guy. He is not. He is a well-respected economist. But I wish to talk a little about the issues that persuade me we need a change—a change in culture, a change in personnel—in some respects.

If ever there now is a bright line in America between those who are too big to fail and those who are too small to matter;—that is, the too big to fail are the biggest financial institutions in the country that have been making a lot of money, paying large bonuses, and living high off the hog. The too small to matter are the folks on Main Street who sink everything their family has into a business trying to run a grocery store, maybe a drugstore, a gas station, a barbershop, a restaurant, and then they discover they cannot make a go of it because things turn against them, and they are told: Do you know what. That was your risk. If you can't make a go of it, that is your problem. What you do is you lock the door, somebody sells the inventory, and you are out of business.

By contrast, the biggest financial institutions that were engaged in wholesale gambling—everything but the Keno tables and the craps tables and the blackjack tables in their lobby, everything but that; it was the same thing—and ran their company and their country into the ground, they were told: Well, do you know what. You are so big, we can't possibly let you fail, so we are going to give you a bailout. So that is the too big to fail versus the too small to matter. Is it any wonder people are furious in this country about that kind of assessment, that kind of value system?

Well, Mr. Bernanke is a nice guy. So is my Uncle Harold, by the way. Mr. Bernanke is an economist. My Uncle Harold is not. Mr. Bernanke has now been the Chair of the Fed for a while. Before that, he was part of the economics team in the previous administration that turned, by the way, a big budget surplus in the year 2000—the first budget surplus for the Federal Government in a long, long time. The new administration came in and turned that into the biggest deficits in history up until now. So I am not impressed with the whole scheme of a fiscal policy that turns the country from big budget surpluses to big budget deficits.

But with respect to the Federal Reserve Board itself, the Federal Reserve Board has had responsibilities. Those responsibilities, first by Alan Greenspan at the Fed—and by the way, while Alan Greenspan was at the Fed, Mr. Bernanke was at the Fed as well during part of that time, and now it has been Mr. Bernanke's tenure at the Fed—the responsibilities are to supervise the banks, to deal with predatory lending, to address some of the scandalous behavior of some of the brokers in the subprime market. Yet they did nothing. All of this went on under their noses. The question for me in dealing with Mr. Bernanke and others is, How many times do we have to learn the same lesson?

I have been here at a time when the savings and loans collapsed in this country. The S&L collapse—it was not surprising why they collapsed because we had a bunch of folks who used the savings and loan like a big piggy bank. They were parking junk bonds at the savings and loans organizations. The savings and loans were actually gathering deposits from around the country, and they were like Roman candles, just taking a small, little, sleepy savings and loan and turning it into a big institution with lots of deposits overnight. Then guys like Mr. Milken were parking junk bonds in the S&Ls, insured by the Federal Government; that is, the American taxpayers, and things collapsed, and it cost hundreds and hundreds of billions of dollars.

The most perverse result was the American taxpayer got stuck with junk bonds in the Taj Mahal Casino in Atlantic City. Think of that. How did that happen? Well, Donald Trump builds a casino, and whoever it is decides to take the junk bonds from the casino and park them in a savings and loan. The savings and loan is guaranteed by the American taxpayer. The savings and loan goes bankrupt. So the junk bonds in the savings and loan are now at the Resolution Trust Corporation, and the American people end up with junk bonds in a casino. Isn't that unbelievable? Do we have to learn that lesson again? Well, we did then.

We learned it a second time after the S&L collapse. We learned it with the Enron Corporation, which in part was a criminal enterprise. They were manipulating wholesale electric markets on the west coast—schemes such as Get Shorty, Fat Boy, just to name a couple—and then having people, in addition to these schemes, shut off and turn on powerplants in order to manipulate supply so they could fleece taxpayers and fleece ratepayers on the west coast out of billions of dollars. It was one of the greatest robberies in the history of our country. I led the hearings. I chaired the hearings over in the Commerce Committee. Ken Lay came and raised his hand. We swore him in. He took the fifth amendment. He is now dead. But he was on his way to prison. Mr. Jeff Skilling from Enron Corporation came and just talked and talked and talked. It turns out none of it was accurate. He is now in prison.

So we had to learn a second time about the fleecing of America—the big S&L scandal that cost the American taxpayers an unbelievable amount of money; then the Enron scandal—a corporation that does not now exist that became, in part, as I said, a criminal enterprise; and now this financial house of cards that collapsed on this country. It is not surprising why it collapsed. What happened was we had some of the biggest financial entrepreneurs in this country—some of the biggest operators, I should call them, not entrepreneurs—some of the biggest financial operators in this country who were engaged in full-scale gambling with their company money, the biggest financial companies in this country.

My colleague talked about credit default swaps and CDOs and so on. We had synthetic derivatives. Do you know what synthetic derivatives are? At least a derivative is something you can reasonably explain because it has some value. It is connected to some value on each side of the trade. Synthetic derivatives are simply an artificial device that allows you to place a wager on whether something will happen, unrelated to value on either side of the trade. It is as if to say: Take the biggest investment banks in America and put a craps table in their lobbies and let them gamble from 8 a.m. until 5 p.m. and let the American taxpayer pay their losses. That is exactly what has happened.

Now, what is happening today? Well, this is Bloomberg News:

> Wall Street is marketing derivatives last seen before credit markets froze in 2007. . . .

Actually, I have it on a bigger chart here.

> Wall Street is [now back] marketing derivatives last seen before credit markets froze in 2007, as the record bond rally prompts investors to take more risks to boost returns.
>
> Bank of America Corp. and Morgan Stanley are encouraging clients to buy swaps

that pay higher yields for speculating on the extent of losses in corporate defaults.

And again:

Banks Reviving Synthetic Bets as [Paul] Volcker Blasts Default Swaps.

Bloomberg. So here we are. The financial system collapsed, steered this economy right into a ditch. Millions and millions of Americans lost their jobs, lost their homes, lost hope, and are still struggling. The biggest interests got bailed out and made whole and now are making record profits again and are prepared to pay $140 billion, I am told, in bonuses. And now we see they are back to trading synthetic derivatives—the very same firms.

How often do we have to learn this lesson—once, twice, three times, or ten times—before the Congress will decide: No more of it.

My point is, just like with kids, you say: Do you know what. You better hope your kids are running around in a good crowd. That is the success, isn't it, having them run around in a good crowd as opposed to a bad crowd? As I take a look at all these nominations and appointments, the question for me is, What kind of crowd do they run around in? And do you know what. There is a kind of insular crowd that all comes from the same locations, and they all believe the same thing, and the fact is none of them have the stomach or the interest or the courage to decide to shut down what is essentially gambling on Wall Street and firms that are too big to fail, which means it is no-fault capitalism and the American people will pay the consequences. None of them have the courage to do that. In fact, they have now been given a year to organize to try to stop anything that is done here in the U.S. Congress.

I will say once again, it was 10 years ago when I stood on the floor of the U.S. Senate and was one of eight Senators to vote against the piece of legislation that created these big holding companies—the Financial Services Modernization Act, it was called—to repeal the protections that were put in place after the Great Depression.

I said, 10 years ago, I think that is going to set this country up for massive taxpayer bailouts. No, I do not have a crystal ball, and I do not necessarily prognosticate very well. But I knew that if we allowed those who wanted to do one-stop financial shopping—putting together securities with banking, investment banking with FDIC-insured banking—we were headed directly toward a cliff. And 10 years later, it is the biggest financial scandal in the history of this country, and this economy barely survived it. The American people lost $15 trillion in value as a result of this economic collapse—$15 trillion.

So who is accountable? Well, there have never been the kinds of hearings I think there should have been developing a master narrative of what happened and who was responsible and who was accountable and where the buck ought to stop. But we know some of it. We know who had some responsibility: the Federal Reserve Board.

Mr. Greenspan has since come to Congress and apologized because he said he was mistaken. He thought self-regulation would be just fine. Well, that is not why we have regulators. We have regulators because we know self-regulation does not work. The free market system is wonderful, but you need effective regulators who take a look at what is going on and call the fouls and blow the whistle when they see the fouls.

We went through a period where it was, ''Katy, bar the door,'' do anything you like, and that is what happened. The big banks took leverage from 10 times capital to 30 times capital. They began selling derivatives and credit default swaps and, pretty soon, synthetic derivatives, which were just instruments of gaming, and nobody seemed to care.

At the same time, in another area of financial enterprise, we began to see the development of this new, aggressive orgy in mortgage scams to say to people: If you can't afford to buy a home, we have a mortgage for you. If you have bad credit, we have a mortgage for you. If you have been bankrupt—slow pay, no pay—come to us; we will help you buy a home. By the way, everybody was getting big fees. They wrapped it into a security, sold the security from the mortgage bank to a hedge fund, to an investment bank, and everybody knew better. Pretty soon, the whole thing collapsed, and the American people were told: Now you pay the cost. You pay the cost to clean up this mess.

Well, at every step along the way, the Federal Reserve Board had a responsibility. Bad behavior by brokers, bad behavior by mortgage banks—they had a responsibility to oversee those things. And today we read that synthetic derivatives are now being pushed by Bank of America and Morgan Stanley. So what is the Federal Reserve Board doing about that? What about that buildup of additional bubbles of risk? Does anybody care? Is there anybody who is going to do anything about that?

Mr. Bernanke is a good guy, but the fact is, he is part of the crowd that I think helped cause these problems. I think—and I have said candidly—during the darkest period, where there was the question of whether this economy would completely collapse, Mr. Bernanke made some fine decisions. I do not think he is a bad person at all. But I do not think he—by the way, this would apply to some others in areas of responsibility—I do not think he comes from the culture to say that this whole set of activities has to change and change now and change aggressively.

Let me complete my thought by simply saying that I understand how important banking is. I understand how important investment banking is. I understand the financing system of our country is important and needs to be strong. I am not suggesting that somehow you can finance all the things we want to do in our country out of somebody's garage. That is not my point. My point is, however, there is the right way and the wrong way to construct a system of financing.

We have, over 200 years, seen this back-and-forth between those who produce and those who finance production. Sometimes one has the edge in terms of strength and power, and sometimes the other does. In the last 20 or 30 years, in my judgment, those who finance production have really been pulling the strings in this country as opposed to those who produce. That is why we have fewer good jobs in this country, and it is why we see more and more of the profits and more and more of the gross incomes that swell the paychecks of a lot of people at the top coming from investment banking and some of the biggest financial firms in the country. I do not think that is healthy for the country, as a matter of fact.

So I voted against Mr. Bernanke. I voted for cloture because I am not somebody who wanted to prevent a vote on it. But I did decide long ago that I was not going to be supportive.

Let me make one final point. That is this: Mr. Bernanke, during the height of the crisis, opened, for the first time in history, the Federal Reserve Board to give direct loans to investment banks—the first time ever they have given direct loans to commercial banks but never before to investment banks. He opened the window to say we are going to give direct loans to investment banks. My guess is trillions of dollars went out in direct loans. In my judgment, the American people and the Congress have a responsibility to know who got those loans, how much, and what were the terms. We have written to the Chairman of the Federal Reserve Board—myself, Senator GRASSLEY, and eight others—to say: You now have a responsibility to tell us who got that money and what were the terms. His answer to us was: I have no intention of telling you.

That is not acceptable to me and should not be acceptable to the Congress or to the American people, and that is another reason that I would not advance this nomination.

Madam President, I yield the floor, and I make a point of order that a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

TRIBUTE TO FORMER SENATOR CHARLES ''MAC'' MATHIAS

Mr. CARDIN. Madam President, I take this time to talk about former