friend and minister who led us in prayer this morning.

I say to my colleagues in the Senate, it is an honor that we were able to have Rev. David Jefferson from the Metropolitan Baptist Church in Newark with us today. I assure my colleagues, from my own life experience, this is a remarkable man of tremendous energy, leadership, and moral character. He leads the largest Baptist church, a very dynamic community of believers, in Newark, NJ. Not only are they active in their religious life, but they make an enormous contribution to redevelopment and the support of the community, reaching out to all who are part of the community who sometimes have been left behind. Through their example, they are demonstrating that access to the American promise is true for everyone.

In his spare time, he is a senior executive at AT&T where he brings both great skills as a business person and moral character and leadership to his efforts in the business world. We need examples of people who are able to both recognize that our free enterprise system needs to be strong and powerful and have brilliant people who care about producing good services, good products at the right price but on an honorable basis. Reverend Jefferson is one who I think demonstrates we can do that, and he does it with great grace.

Most importantly, he is a moral leader for a broader community by demonstrating with all aspects of his life how important it is to recognize that we all live under a greater power than what I think we sometimes think we live under in our own lives. Sometimes we are too focused on what we are about, and he is a great teacher about the importance that we are one nation under God.

I am honored and privileged he has joined us today. I am honored and privileged that he is my friend. I thank the Presiding Officer for the opportunity to welcome Rev. David Jefferson to the Senate Chamber.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond the hour of 10:30 a.m., with Senators permitted to speak therein for up to 10 minutes each.

Under the previous order, the first half of the time shall be under the control of the Republican leader or his designee.

The Senator from Maine.

Ms. COLLINS. I thank the Chair. Madam President, I ask unanimous consent that I be permitted to proceed for 15 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

LAPSES IN CORPORATE RESPONSIBILITY

Ms. COLLINS. Madam President, as every Member of this Chamber knows and, more importantly, as every American investor knows, we have recently witnessed lapses in corporate responsibility unlike anything that has occurred during the past 70 years. It is our role to determine why this has happened and what can be done to prevent it from continuing to happen. I rise to offer some thoughts, as well as to lend my support, to the accounting reform legislation now on the Senate floor.

Several years ago, Federal Reserve Chairman Alan Greenspan characterized the latter stages of the great bull market of the 1990s as irrational exuberance. Although stock prices rose for a few years after that statement, they ultimately collided with economic reality and embarked upon an extended decline. It now appears that that irrational exuberance was being sustained in some instances by improper accounting. Put differently, one way of satisfying the insatiable appetite of some for ever-increasing corporate profits, as well as for rich compensation packages, was to cook the books. Many, although not all, of the recent alleged abuses have occurred in what has been the hot sectors of our economy.

Electric deregulation, the development of the Internet, new medical treatments, and the spread of broadband are all thought to hold enormous prospect for future growth. Unfortunately, for some of the companies in those areas the growth in accounting creativity outstripped the growth in business fundamentals. I make this point because I think it contains a lesson for those of us in Congress, as well as for Federal and State regulators.

During my years as a financial regulator in my home State of Maine, the advice we gave to investors, to the point where it began to sound like a broken record, was that if it seems too good to be true, it almost certainly is. The comparable message for those of us with oversight responsibility is that if one is not vigilant during the boom, when things seem too good to be true, cleaning up after the bust will be far more difficult.

During my first 4 years in the Senate, I was privileged to serve as the chairman of the Senate Permanent Subcommittee on Investigations. During that time, I held more investigations into fraud and abuse in our securities markets than on any other subject, despite the fact we were in the midst of a roaring bull market. Indeed, the roaring bull market made those investigations seem all the more necessary.

More recently, Senator LEVIN and I teamed up in an investigation of Enron Corporation, an investigation that is ongoing. In fact, we just released our first report on the failures of the Enron board of directors to exercise its fiduciary responsibilities. We found that too many of the Enron directors acted as rubber stamps rather than as watchdogs.

In short, the principal lesson of recent events for those of us in Congress may be the need to remember the importance of vigorous oversight and tough enforcement during the good times as well as the bad.

Let me now turn my attention to the conflicts of interest faced by some accountants, brokers, and corporate directors. American capitalism relies heavily on the fiduciary duty concept to protect those who entrust their money to large and often distant corporations. Accountants have a duty to investors to ensure the accuracy of financial statements. Directors have a duty to make certain that managers act in the best interest of the corporation, and stockholders have a duty to give advice that will best serve their client's needs. I believe that this structure is fundamentally sound, but I also believe we have allowed these trust relationships to be seriously eroded by conflicts of interest.

Confidence in our capital markets depends upon accurate and fair financial statements. To achieve that objective, we follow a maxim that President Reagan put forth in another context; namely, "trust but verify." We trust corporate managers to give us honest financial statements but, just in case, we look to accountants to verify the numbers. Too often in the recent past accountants have let us down, principally because, in my view, conflicts of interest have undermined their fundamental fiduciary duty to investors. The source of this problem is that some accountants can depend on those whose books they examine not only for their auditing jobs but much more worrisome for lucrative consulting contracts.

In some ways, the situation for brokers can be even worse, because they frequently have a personal, as well as an institutional, relationship with those to whom they owe a duty. As the recent Merrill Lynch settlement demonstrated, when the same individuals are involved in giving advice to retail customers and securing underwriting business from the corporations they are supposed to be objectively rating, it is the investor who losses. Again, the fiduciary duty concept is not inherently flawed. Rather, it has been eroded by conflicting interests that cannot comfortably coexist.

The third component of what might be called the fiduciary duty triad is the corporate board. Frequently owing their positions to those whose activities they are to monitor, some board members suffer from the appearance, and in some cases the reality, of conflicts of interest. In my view, given their part-time status and their dependence on management for information, the role of the independent directors, perhaps even more than the role of accountants or those of brokers, needs more scrutiny.

In our recent report on the role of the Enron board of directors in the corporation's failure, the Permanent Subcommittee on Investigations found that the board ignored countless warning signs of wrongdoing. In some cases, the board actually approved highly irregular, off-the-books partnerships that masked the company's true liabilities. The board's audit committee failed miserably to ensure the independence of the company's auditor, allowing Andersen to provide internal audit and consulting services while at the same time serving as Enron's outside auditor. In other words, in some ways, Andersen was auditing itself.

Finally, directors blessed financial deals that created conflicts of interest for the top executives of Enron Corporation. Such conflicts of interest are rotting the pillars supporting an essential element of capitalism, and that is the ability of investors to rely on those to whom they entrust their money.

Excising that rot requires two steps. First, we must redefine the roles of the accountant, the broker, and the board member. We must make it absolutely clear that their undiluted responsibility is to the investor.

Second, we must enforce those obligations with tough sanctions, such as those we approved yesterday, that will deter those who would breach these fiduciary duties. This leads logically to the role of the Government regulator. I do not see regulation replacing the fiduciary roles I have described for the simple reason that having Government verify every number in every financial statement would create a nation of regulators. The more effective role for the regulator is to make certain that others honor their obligations and to take swift and meaningful action when they do not.

I know from personal experience as a regulator in Maine that this is no easy task, and it is our responsibility to ensure that the regulators who carry it out have the necessary authority and the financial resources to do the job.

I am pleased the bill before us today incorporates provisions from legislation that I have introduced that will allow the Securities and Exchange Commission to discipline those brokers and investment advisers who have been barred by State regulators from operating within that State. As a result, the SEC will have the option of giving nationwide effect to the bans imposed by individual States, thus protecting citizens nationwide from dishonest or unethical brokers without having to undertake separate investigations. This is especially important because as we learned in my subcommittee's hearings on fraud in the microcap stock market, it is very easy for small-time crooks to move out of one State and into another, setting up shop and defrauding investors all over again.

The reforms needed to restore trust in our capital markets will require tough, effective action by government and self-regulatory organizations. I call on our Nation's business schools to examine the ethical and professional training they provide to corporate managers, accountants, brokers, and board members. The concept of a free market is one that is free from government direction but not free from the duty to act ethically, honestly, and competently. If our corporate leaders lack integrity, no amount of regulation will preserve our economy. How effectively we are conveying this message strikes me as well within the unique expertise of those running our business schools and training our future corporate leaders.

Congress, the SEC, State regulators, the exchanges, and perhaps even our educational institutions can help solve our current problem. Nowhere is the obligation to act greater than on Wall Street and in our corporate boardrooms. The American people are justifiably outraged by the breakdown in corporate ethics. This is not thievery by those lacking the resources to buy food and medicine, this is thievery by those with the resources to buy Picassos and Porsches. As a people, we do not begrudge others who earn their success, but we will not tolerate those whose success rests on breaching ethical and legal obligations.

We must also recognize that although not often mentioned, this problem has ramifications for our standing in the world community at a time when others are waging war on the American system. Our most successful exports since the end of World War II have been our political democracy and our free markets. Indeed, as China demonstrates, our economic views have prevailed even when our political ideals have yet to take root. Having persuaded the rest of the world of the vitality and the creativity of free markets, it would be tragic if we lost our way just when our economic values are gaining widespread acceptance.

A particularly ironic aspect of the current situation and one that would have Marx and Lenin spinning in their graves: Russia is taking steps to strengthen its system of corporate governance at a time when ours appears to be crumbling. While we need not worry that Moscow will replace New York as the world's financial center, it is not unreasonable to be concerned about how other nations judge our response to our current problems. Indeed, the rise in the euro and the drop of the dollar are disconcerting indications of their view to date. This is just one more reason we must act swiftly to put our house in order.

Recent corporate misdeeds have caused great harm, costing our economy and our shareholders billions of dollars and many people their retirement savings as well as their jobs. The impact on investor-employees who have lost both their jobs and their retirement savings has been especially cruel, and those responsible have forgotten that, because capitalism can survive only if people believe they can trust strangers with their money. Honesty and fair dealing are the lifeblood of our economic system.

It would also be unfair to paint with too broad a brush. We should take care not to condemn the many executives who do honor their obligations to their employees and their shareholders. Indeed, it is partly for their benefit as well as for the benefit of all Americans that we must restore confidence in our corporate sector.

In 1997, in my first statement on the floor of the Senate, I quoted the following observation from Winston Churchill: ''Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few see it as a sturdy horse pulling the wagon.''

I added that I do see private enterprise as that sturdy horse, and in the wagon it is pulling are the jobs of our constituents. I continue to hold that view. But we must recognize that the wagon has some loose wheels. It is our responsibility to the American people to make sure they are tightened and to institute the reforms that are needed to restore faith in corporate America.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Nebraska.

AFGHANISTAN FREEDOM SUPPORT ACT OF 2002

Mr. HAGEL. Madam President, this week I introduced the Afghanistan Freedom Support Act of 2002, S. 2712. I am pleased to be joined in this effort by the senior Senator from North Carolina, Mr. HELMS, the former chairman of the Foreign Affairs Committee in the Senate. I ask unanimous consent his name be added to this bill as an original cosponsor.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. HAGEL. This legislation is similar to H.R. 3994, sponsored by the chairman of the House International Relations Committee, Congressman HYDE. This bill was passed in the House of Representatives on May 16 by a vote of 390 to 22.

The Afghan Freedom Support Act commits the United States to the democratic and economic development of Afghanistan. In addition to the economic and political assistance found in title I of this legislation, title II seeks to enhance the stability and security of Afghanistan in the region by authorizing military assistance to the Afghan Government and to certain other countries in the region, including assistance for counternarcotics, crime control, and police training.

The United States must stay closely and actively engaged in helping Afghanistan through a very dangerous