several regional task forces set up specifically to go after the worst of the worst criminals.

Currently, my State of Florida falls under the purview of the Southeast Regional Fugitive Task Force based in Atlanta, GA. Given Florida's size, its population, and the escalation of violent crimes, we need a special focus to more effectively target those responsible for the most serious of crimes.

Last year, I requested the resources necessary to establish a regional Fugitive Task Force in Florida. We secured $2.8 million, and while not enough to establish a task force, it did provide the resources to increase the Marshals' presence in my State. Over the past 10 weeks, the Marshals Service put those resources to work in an effort that they call ''Operation Orange Crush.''

In Miami, Jacksonville, Orlando, Tampa, Fort Lauderdale, West Palm Beach, and other places, the Marshals Service linked up with other State and local law enforcement agencies and targeted the worst of the worst fugitive criminals.

They went after murderers, rapists, child sex offenders, and gang members, and they very specifically went after violent offenders. The results were absolutely astonishing. Nearly 2,500 fugitives were apprehended. More than 2,900 warrants were cleared, 113 homicide suspects were arrested, and 255 sex offenders were also captured. They also took in 76 firearms and about 100 pounds of illicit narcotics.

Among those captured in Operation Orange Crush was fugitive David Lee Green, an escapee listed on the Marshals' 15 Most Wanted list, and a criminal who has been on the run since the year 2000, out there committing more and more crime. Green was found in Titusville after escaping from a Federal correctional institution in Elkton, OH, where he was serving a 235-month sentence for cocaine distribution. In addition, he was wanted for machinegun possession.

Another captured fugitive, Rosalino Yanez, was arrested in Okeechobee County.

Authorities in Fort Pierce wanted him for a 2003 murder, when he apparently used a shotgun to fire and kill two men. He is also wanted in Georgia for attempting to commit murder there.

Another arrested was Nolan Woods, who was captured in Miami on a warrant for sexual assault of a minor. So this man was also captured and put behind bars.

These are some of the more than 2,400 arrests that were made. These were made possible because of the additional resources this Congress made available to the U.S. Marshals Service.

Given these statistics and what the Marshals Service was able to do in a 10-week period—in just 10 weeks in my State—demonstrates that there needs to be a permanent Regional Fugitive Task Force in Florida. Rising violent crime rates pose a serious threat to our children, our families, and our communities. These results demonstrate that Florida has a need, and the resources used will yield the desired results.

Establishing a permanent Regional Fugitive Task Force in Florida will require Congress's support through the fiscal year 2009 and beyond. But given the results of Operation Orange Crush and the outstanding commitment of the U.S. Marshals Service, I am very hopeful we can take the results of this task force and make this be a reality in the coming days.

So I am very pleased, and I wish to give a word of thanks not only to the Marshals Service but also to all law enforcement in the State of Florida who worked together cooperatively to make this terrific result happen.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York is recognized.

THE ECONOMY

Mrs. CLINTON. Mr. President, we have seen the financial landscape in our country reshaped overnight. The titans of Wall Street have been rendered insolvent or even bankrupt. These are firms that survived the Great Depression, world wars, the attacks of September 11, but were no match for a mounting credit crisis that was allowed to escalate in the shadows of our financial system.

The Federal Government has taken over Fannie Mae and Freddie Mac. Bear Stearns had to be rescued by JPMorgan Chase, after the Federal Government guaranteed J.P. Morgan's investment. While they are in talks to keep part of the company viable, Lehman Brothers has declared the largest bankruptcy in U.S. history. Merrill lynch has been purchased by Bank of America, and the Federal Government has agreed to rescue AIG.

This past Monday, we saw the largest drop in the Dow Jones Industrial Average since 9/11. Now even money market funds are affected; for only the second time in our history, one has been valued at less than 100 cents on the dollar. Alan Greenspan called this a ''once in a century event.''

In my State of New York, tens of thousands of hard-working employees have lost their jobs. The livelihoods of tens of thousands more who depend on Wall Street's economy are threatened as well.

New York City and New York State, already facing serious economic and fiscal challenges, will now be forced to contend with a battered Wall Street, the lifeblood of our State's economy. The sudden collapse of these firms and the Government takeover of some has shaken our markets and buffeted the economy as a whole. Many are now asking: What is next? I know that New Yorkers and other Americans are deeply concerned and more than a little bewildered. As our markets have grown more complex and interconnected globally, so, too, have the crises that have emerged. We are still sorting out the details.

One of the consequences of the secrecy and lack of oversight under the Bush administration is that we do not know what we do not know. But it is important to recognize what we do know about what went wrong so we can assess what needs to be done right now to make it right.

What we have seen over the course of the last 8 years is an administration that refused to recognize the threats that lurked in our economy—no matter what lurked just beneath the surface or what problems were facing middle-class families.

We know that many CEOs are paying lower tax rates than their receptionists. We know that President Bush and those who carry his mantle seek to lower those taxes even further. Middle-class families have seen their wages decline, even as the cost of living has skyrocketed. This administration has the worst job creation record in 70 years. Millions of families were locked into ballooning and unaffordable adjustable rate loans as this administration stood by denying there was a crisis. Regulations designed to keep pace with the markets have been steadily chipped away by Washington Republicans even as companies experimented to the tune of hundreds of billions of dollars in ever-more complex and risky financial instruments. Now, we were reassured that the risk was too diversified and investments too sophisticated to put our economy in jeopardy. Meanwhile, behind closed doors, the cracks were showing as the value of mortgage-based securities slipped day by day. And the President and his supporters in Congress repeatedly chanted—and still chant today—the mantra that the fundamentals of our economy are strong.

The administration waxed philosophic when middle-class families started facing foreclosures at record levels. The administration and its allies derided my proposals over the last 2 years to offer assistance to troubled homeowners seeking refinancing as a ''bailout.'' They dismissed my concerns and the concerns of millions of Americans even as the storm clouds gathered. They said they didn't believe the Government should intervene and provide borrowers an affordable opportunity to avoid foreclosure.

Even when I and others warned the Bush administration repeatedly from the start of this crisis, that decisive action was demanded immediately to help families stay in their homes, that that was the best way to stave off a deepening economic crisis, their only responses were predictions for a ''soft landing'' and that the crisis could be contained.

As I traveled throughout our country, I could see that no soft landing was forthcoming. Many families, hundreds and even thousands of miles from Wall Street, were having their lives turned upside down by the home mortgage crisis and the ripple effect being felt throughout the economy as a consequence of the broken economic policies of the last 8 years.

Unfortunately, the Bush administration waited until this past summer to admit that massive housing relief was necessary. The administration finally supported, in concept, much of what I had proposed—mortgage modifications, freezes for unreasonable mortgage rate increases, and an expanded role for the Federal Housing Administration. But their response was halfhearted, without adequate resources or a commitment to enforcement. So the home mortgage crisis slowly but surely eroded the value of risky debt instruments upon which Wall Street firms were dependent. The house of houses of cards began to fall. My proposals, as well as those of others, were falsely greeted as too much, too soon. Now we are forced to reckon with too little, too late.

When giant Wall Street firms revealed their dire straits and turned to this administration for the exact same help as we had sought for middle-class families—discounted loans, loan modifications, and Government-backed lending to weather the storm—ADAM SMITH was nowhere in sight.

Taxpayers have loaned these banks upwards of half a trillion dollars. After years of laissez-faire policies for the middle class, the Bush administration has acted on behalf of Wall Street, with the largest and most significant Federal interventions in the history of our modern financial system. The largest banks in the world could have closed-door meetings with the White House and Federal Reserve and Treasury Department to discuss their bailout options, but millions of homeowners with mortgages worth more than their homes or who are facing default and foreclosure don't have the same opportunity.

This administration seems to be, once again, paralyzed. I represent both the workers and the homeowners and the investment firms. I wish we had taken action long before this, for the sake of all of my constituents. But now we must have a concerted, focused effort. I don't believe we can wait until the next President. I am extremely hopeful and optimistic that we will have a President who will work with us to resolve our economic challenges, but I don't think we can wait.

However, I do believe we can avoid a deepening crisis. We can take steps right now to address the root causes of what is taking place in our economy to stem the tide of foreclosures, mortgage defaults, and the aggregating consequences in the credit markets, on Wall Street, and throughout the global economy. But we must cast aside the haphazard, halfhearted approach of this administration and bring every stakeholder to the table to seek out and implement the right solutions.

We must be as vigilant on behalf of homeowners and middle-class families as we are on behalf of Wall Street firms. We must chart a new course based on the facts at hand, not the ideology at work for 8 long years. We have tried being reactive. It is now time to be decisive.

No option should be off the table—certainly not because they don't fit into a narrow ideological prism that this administration has abandoned for some at the first sign of trouble. Ideologues in Washington or in the market who thought that the only danger to the marketplace was the Federal Government are now going hat-in-hand to that same Government seeking help to stay afloat.

So to those who suggest that the steps taken thus far are enough, let me be clear: We may need to take even more significant steps to avoid a self-sustaining cycle of depressed home prices and foreclosures, with the consequent effect on the entire marketplace. We have already pumped hundreds of billions of dollars of liquidity into the markets, but we still cannot see the end of this crisis.

The biggest problem now is that our entire financial market is anchored by the mortgage securities that are untouchable. We have seen the banks and the financial institutions that had the largest exposure to these instruments among the first to fail. Now we have begun to see some of the mightiest institutions—even those making a profit—fall by the wayside and the market thrown into upheaval, and others the target of predatory short-sellers.

The Federal Reserve has used virtually every arrow in its quiver, from rate cuts, opening its lending windows, and, in desperation, has even created some new arrows through its new lending facilities. By some estimates, the Fed has put out more than half a trillion dollars through discounted loans, bailouts, and takeovers to stabilize the market and the economy. While necessary to prevent even deeper disaster, we have seen that the benefits of these actions have had limited effect.

This situation reminds me of that old fable where people are standing by the side of a river and they keep seeing babies being rushed down the river in the current. They desperately reach out and try to save as many babies as possible. Day after day, they are reaching out. They get new tools, they build a bridge, they get a ladder, and they are constantly trying to get to those babies, hoping they can save many of them. Finally, someone walks up and says: Who is throwing them in? Go upriver and find out the real problem and stop that.

The real problem has always been the way our home mortgage system got totally out of whack, with new kinds of instruments that were sold many times over, with very little regard to the realities of life, human nature, and the inevitable ups and downs in the economy, with the result that until we reach in and fix the home mortgage crisis—and we can bail out everybody from here until kingdom come—we will not get a handle on this economic crisis.

Here is what I believe we should do: First, in light of historic bank failures, even with the largest Federal intervention in the history of the mortgage market, we need a government entity, a modern-day homeowners loan corporation, referred to as HOLC, or we need to build on the Resolution Trust Corporation created to help deal with the savings and loan crisis. I personally believe and was among the very first to suggest that a HOLC, a homeowners loan corporation, could be a preferable way of unfreezing and beginning to fix our struggling mortgage market.

Some of my colleagues and many other respected economists and Government officials have called for the creation of an entity like the Resolution Trust Corporation which was created after the savings and loan crisis to liquidate in an orderly way the virtually worthless assets that the failed S&Ls held.

Yesterday in the Wall Street Journal, Paul Volcker, Eugene Ludwig, and Nicholas Brady made such a proposal. They said a HOLC, RTC—we have to come up with an entity that will assume these debts and burdens and begin to work our way out.

Last spring, when I called for a modern version of the HOLC—that is the Depression-era entity that bought up old mortgages and issued more affordable ones in their stead—most people didn't pay much attention. But I think it is important to note that by the time the HOLC closed its books, that agency had turned a small profit and helped over a million people keep their homes. And this was 70 years ago.

Our population has grown dramatically. Obviously, if we did it right, we would be able to save a lot of homes, and I think if it is administered correctly, it could be actually a net expenditure or even winner for the Federal Government.

With the FHA reforms I long championed and adopted this past summer in our omnibus housing bill, the FHA could be a modern home ownership lending corporation. But we need to look to new ways to revive and, if necessary, create a new market for mortgage securities based on sound accounting, transparent recordkeeping, and responsible lending.

The PRESIDING OFFICER (Mrs. MCCASKILL). The Senator has used 10 minutes.

Mrs. CLINTON. I ask unanimous consent for an additional 10 minutes.

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

Mrs. CLINTON. Madam President, I did not know I had a time restraint.

A new government entity such as the HOLC with focus on attacking the source of the problem can serve a purpose of clearing a lot of those toxic mortgage securities from the market. We know there will not be any semblance of a normal or orderly marketplace until we have found a way to resolve these mortgage securities that are metastasizing in the bottom of our markets.

By taking this paper out of the market and quarantining it in this new entity, we will give the market breathing room to recover. We also will be able to set the stage for an orderly sale of these securities and in return allow some of them to recover and regain some of their value. Perhaps as importantly, not only would our financial markets stabilize, but so would our housing markets.

This is an extraordinary measure, but it is not without precedent. This is the greatest market upheaval since the Great Depression. We are, indeed, in crisis, and in times of crisis there are opportunities for leadership. Congress can show the American people that leadership by working with the President to embrace this bold proposal to take immediate action to address the abusive and manipulative short-selling practices that are rattling the markets, threatening firms and jobs, and sending shock waves across the broader economy.

I commend the SEC for yesterday tightening rules against manipulative short selling. The SEC's rulings are a positive step in curbing the heightened volatility casting uncertainty on domestic markets and financial institutions. However, the Commission did not go far enough.

As a Senator from New York, I have a special duty to represent the workers of the financial services industry and to try with all my might to retain New York City as the financial capital of the world. The abuses that have disrupted the markets today will impact the lives of so many far beyond New York. So I think it is necessary for the SEC to take steps similar to the emergency rule it imposed this past July when the Commission ''concluded that there now exists a substantial threat of sudden and excessive fluctuations of securities prices generally and disruption in the functioning of the securities markets that could threaten fair and orderly markets.''

Conditions now pose a greater threat than they did in July. Several of the institutions that the Commission sought to insulate from abuse do not even exist or certainly not in the same form they did 2 months ago.

The situation is evolving rapidly, so we need to stay a step ahead, not a step behind.

I urge the Commission, as I expressed yesterday in a letter to Chairman Cox, to move toward a temporary moratorium on all the abusive and manipulative short-sale practices associated with ''substantial financial firms,'' such as those the Commission identified in July.

A temporary moratorium would allow the marketplace to take a step back, take a deep breath, and it would allow the Commission and other regulators to identify and weed out the sources of these abusive transactions.

Moreover, the Commission should give close consideration to the many calls for the immediate restoration of the uptick rule, whose repeal has been linked to the recent market volatility and proliferation of these short-sale transactions.

I know there are technical problems in moving toward digitalized trading, but we ought to figure out how to handle that.

Third, I am calling on President Bush to convene an economic summit that brings together leaders in the administration and Congress with lenders, consumer advocates, nonprofits, financial institutions, and all the stakeholders. Such a summit, I believe, would restore confidence and demonstrate that the entire country is focused on solving the problem we face.

Fourth, I want to propose once again that we aggressively pursue and encourage mortgage modifications. I have introduced such legislation. I believe it is important. Madam President, 10 million homeowners are underwater today, carrying more than $2 trillion in mortgage debt. That is a huge anchor on our markets and our economy. Modification done right is a strategy that serves lenders and borrowers, as well as the broader markets.

Fifth, it is clear that for too long, the rapid evolution of the securities and banking industry overwhelmed our regulatory framework, resulting in an entire shadow banking system that operated outside of oversight and without accountability.

It is not enough to shift responsibility or move lines on a flow chart. We need a new regulatory framework. We have been living off the one from the Great Depression. Now is the time to create a new framework.

Sixth, I proposed the Corporate Executive Compensation Accountability and Transparency Act to impose new transparency rules on executive pay and the accounting techniques that hide compensation and provide shareholders a say in executive compensation packages.

Finally, and seventh, I am proposing that we require any financial institutions borrowing money from the Federal Reserve's new lending facilities to open their books and ensure accountability and transparency to identify unsound practices.

These banks and other entities have tapped the Fed's new lending windows for over $300 billion in capital. They shifted a lot of that risk onto the backs of our taxpayers. These are unprecedented interventions, and we should make sure these companies are not using taxpayers' dollars to subsidize golden parachutes or risky investments, throwing your good money after bad. If we are bailing you out, we deserve to know exactly your liabilities, and you have to be part of this new regulatory framework.

This crisis has not abated. It is time for us to start acting like Americans again. There isn't anything we can't solve once we put our minds to it. For that we need leadership. I know that our leader, Senator REID, has said the Senate will remain in pro forma session. We are ready to work with the administration, to work with the other stakeholders to change course and end the failed economic policies and failure of regulatory oversight that brought us to this point.

There is much more we need to do. Individuals have to take responsibility, we know that, but in this dynamic environment, we must work together to stabilize the market, tackle the root causes that have festered too long, and restore confidence in our economy.

We will weather this storm, but let's do it sooner instead of later. Let's try to save as many boats in the water right now instead of cleaning up the wreckage on the banks. I believe we can do that.

I thank you, Madam President, for your attention. I hope we will be able to start seeing action very soon.

I yield the floor.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. Madam President, I ask unanimous consent that I be allowed to speak for up to 20 minutes and the Senator from Vermont follow me, and that he be allowed to speak for up to 20 minutes.

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

Mr. KYL. Madam President, I am astonished at the diatribe by some of our Democratic friends who are charging that our current economic woes are ''the Republicans' fault,'' as if somehow our system of housing finance and the complex mortgage-backed investments were created by President Bush. The American people know better and, frankly, they deserve better.

Similarly off base are efforts by some Democrats to rewrite history by trying to cast Senator MCCAIN and President Bush in the mold of President Hoover. It is, of course, a false and complete misunderstanding of history and I believe nothing more than attempted mudslinging.

There is an excellent history of the Great Depression by Amity Shlaes called ''The Forgotten Man.'' In it she reminds us that Herbert Hoover was an interventionist, a protectionist, and a strong critic of markets. If anything, Herbert Hoover and then Franklin Roosevelt prolonged the Great Depression by their intervention in the free market with their support for more taxes and tariffs, all of which, of course, caused a spiral of deflation.

No one can argue that my colleague Senator MCCAIN is an interventionist or protectionist such as Herbert Hoover. He is a strong critic of the greed and the cronyism that are two things that have led to our current financial problems.

What are the facts about the current situation? Where did it all begin?

I think almost everyone agrees that this financial crisis was precipitated by the housing crisis, the bursting of the bubble of overinvestment and speculation in home mortgages. Housing prices skyrocketed to unsustainable levels as mortgages were given to people who simply could not afford them, and speculators ran up prices even more. All of the experts I talked with agree that until housing prices level out naturally—in other words, not artificially through some kind of Government interference—our financial crisis will not reach a conclusion. That is what is necessary to begin the rebound so that we can recover from the current crisis.

While it is true that both parties took pride in supporting more home ownership, a goal to which all Americans would certainly aspire, Democrats cannot deny that they promoted expanding loans to more and more people who had previously found it very hard to get a mortgage because they could not make a sufficient downpayment or failed to meet other normal loan criteria; in other words, people who were higher credit risks. So it isn't just lenders but also politicians who enticed and encouraged folks to buy homes they could not afford. And this, of course, fueled speculation as well.

It is also true that members of both political parties were strong defenders of Fannie Mae and Freddie Mac, the so-called government-sponsored enterprises, or GSEs. But I can't think of a single Democrat who fought for comprehensive, meaningful reforms of these entities over the last decade.

Fannie and Freddie made huge campaign contributions, and those campaign contributions secured many friends who were willing to stymie even the most modest proposals for regulation, proposals put forth by Republicans both in Congress and in the administration.

I cite, for example, a New York Times article of September 11, 2003. I will quote two brief paragraphs:

> The Bush administration today recommended the most significant regulatory overhaul in the housing finance industry since the savings and loan crisis a decade ago.

It goes on to say:

> The plan is an acknowledgment by the administration that oversight of Fannie Mae and Freddie Mac—which together have issued more than $1.5 trillion in outstanding debt—is broken. A report by outside investigators in July concluded that Freddie Mac manipulated its accounting to mislead investors, and critics have said Fannie Mae does not adequately hedge against rising interest rates.

The article concludes with a criticism, two paragraphs more:

> Significant details must still be worked out before Congress can approve a bill. Among the groups denouncing the proposal today were the National Association of Homebuilders and Congressional Democrats who fear that tighter regulation of the companies could sharply reduce their commitment to financing low-income and affordable housing.
>
> ''These two entities—Fannie Mae and Freddie Mac—are not facing any kind of financial crisis,'' said Representative Barney Frank of Massachusetts, the ranking Democrat on the Financial Services Committee.

Again, ''These two entities—Fannie Mae and Freddie Mac—are not facing any kind of financial crisis.''

Quoting again:

> The more people exaggerate these problems, the more pressure there is on these companies, the less we will see in terms of affordable housing.

Our friends on the other side of the aisle claim the current financial crisis stems from a lack of regulatory oversight, but they don't mean a lack of oversight over Fannie and Freddie, which they resisted. They don't mean regulations that actually would have headed off the crisis of these GSEs.

I think most of my colleagues would acknowledge that I am one of the most free market Members of the Senate. I am not one to usually call for more regulations. But in the case of Fannie and Freddie, I did. As chairman of the Republican policy committee in 2003 and 2004, I provided two detailed analyses of the potential for catastrophic failure of the GSEs unless they were precluded from taking on more and more questionable debt. I noted that while their executives and shareholders were making a lot of money in the short run, the taxpayers would be on the hook in the long run. And that is exactly what occurred.

The first paper the Republican policy committee released under my watch suggested that the implicit Government guarantee of both Fannie and Freddie allowed the companies to borrow significantly more than they would have without the guarantee, and that they used those resources to invest and trade in risky mortgage securities, not to pass on the benefit to borrowers.

In September 2003, 5 years ago, I recommended that Congress ''improve disclosure requirements and transparency, increase risk-based regulatory oversight; and begin to consider how to create a greater separation between the taxpayers and the business operation of these firms without causing financial dislocation or upsetting the mortgage markets.''

I also warned that without reforms, either or both companies could fail. And I said:

> The potential cost to U.S. taxpayers could range into the hundreds of billions of dollars.

I am sorry to report that I was correct. The bailout will cost at least $200 billion. That is the amount that has been cumulatively committed to Fannie Mae and Freddie Mac.

The second paper I released in April of 2004 reported that then-Chairman of the Federal Reserve, Alan Greenspan, had endorsed fundamental reforms for Fannie and Freddie. Greenspan threw cold water on the most often repeated rationale for allowing Fannie and Freddie to continue growing, indeed, for their very existence: that they increase home ownership and reduce mortgage rates. My report, quoting once again ''challenged the Senate to act quickly to reduce the risks to the taxpayer, either by fundamentally altering their relationship with the government, or by establishing a new regulatory regime.''

But the Senate failed to act in 2004, when it could have headed off this crisis.

I also want to highlight the efforts made by Senator SHELBY, the ranking Republican on the Senate Banking Committee, to reform Fannie and Freddie. In 2004 and 2005, Senator SHELBY tried to enact comprehensive GSE reforms of the kind I have referred to only to be stonewalled by then-Senator Sarbanes. First, in 2004, Senator Sarbanes refused to consider the legislation. He said the problem was the receivership provisions. At the time, Fannie and Freddie could only be taken into conservatorship if they failed but not receivership. Fannie and Freddie used their objections to this provision to label my colleague, Senator SHELBY, as anti-home-ownership.

When SHELBY tried again, Senator Sarbanes told him the reforms couldn't move forward because he objected to the portfolio limits that SHELBY's legislation would have imposed on Fannie and Freddie. Same kind of thing I had called for earlier in the report to which I referred. Remember, their portfolios were highly leveraged. Again, SHELBY and those who supported him were castigated as anti-home-ownership. Each time he pressed for these reforms, the supporters of Senator Sarbanes and Freddie and Fannie came up with reasons to oppose them.

When Congress passed the Fannie and Freddie bailout legislation this last summer, we were finally able to secure fundamental reforms, thanks again to Senator SHELBY and to Secretary Paulson, but no thanks to most of the Democrats who worked against the reforms. Unfortunately, by then the damage was already done. The legislation came too late to avoid their collapse. Instead, we had to end up managing their collapse, and their collapse had spread throughout the entire financial system to the point that we now have a whole series of companies that we are having to try to find a way to assist in order to prevent further collapse of our financial system.

Even at this late date, the chairman of the Senate Banking Committee and the chairman of the House Financial Services Committee would only agree to the GSE reforms proposed by Secretary Paulson after Republicans gave in to their demands for billions of dollars to go to groups such as ACORN, the far-left advocacy group that has engaged in voter fraud.

In a last-ditch attempt to save Fannie and Freddie from greater scrutiny, the chairman of the House Financial Services Committee even tried to delay the appointment of the new, more powerful regulator set up in the legislation until next year. Fortunately, on this, Senator SHELBY prevailed. When the two entities were taken into conservatorship this month, the new regulator shut down all political activities of Fannie and Freddie and fired their executives and barred them from getting lavish compensation packages.

That is the kind of thing that should have been done a long time ago, and it is exactly the kind of thing Senator MCCAIN is talking about trying to reform if he is elected President.

One final point about the political entanglement of Fannie and Freddie in Washington. When Senator OBAMA began searching for his Vice Presidential running mate, he tapped former Fannie Mae CEO Jim Johnson to help conduct the search. This wasn't surprising. Johnson had the same role in Senator KERRY's 2004 campaign. But Senator OBAMA had to end his relationship with Jim Johnson after it came to light that Johnson had received at least three sweetheart loans from Countrywide. Remember, Countrywide was accused of pushing many people into home mortgages they could not afford. It ultimately failed, and it had to be acquired by a bank. I should also note that Johnson is credited by many as having built Fannie Mae into the financial giant it became. He built the failed business model that will cost taxpayers hundreds of billions of dollars. When he was CEO, he aggressively hired an army of lobbyists to protect Fannie Mae from any meaningful oversight.

Well, Fannie and Freddie guarantee about $5 trillion now of the approximately $12 trillion in total outstanding home loans in the United States. That amounts to $5 trillion in mortgage-backed securities guaranteed by the pair. Fannie and Freddie sold these to countless different companies not just in the United States but around the world. They were sold as sound investments. But with real estate prices dropping, nobody knows how to value these investments, and that is part of the problem of this continuing crisis. Countless major investors here and abroad are now at risk. Witness the problems with Bear Stearns, Lehman, Merrill Lynch, AIG, to name only the most prominent.

So the problems that several Republicans predicted and tried to prevent have now come to pass. The Treasury has placed Fannie and Freddie in conservatorship, risking up to $1 billion of taxpayer money for each of them. Add to that the $30 billion the United States had to guarantee in the Bear Stearns debt to get J.P. Morgan to acquire the bank, plus $85 billion to nationalize AIG, and you begin to see the degree of commitment the American taxpayers are now obligated to—all of this because several prominent Democrats, and sometimes even Republicans, refused to appropriately and seriously address the problems and dangers posed by Fannie Mae and Freddie Mac.

That is how this all got started. And unless there is a willingness to prevent the GSEs from doing it all over again, with taxpayers guaranteeing against losses, we will not have learned the lesson we should learn from this catastrophic event. I am anxious to see if my Democratic colleagues will agree or whether, as before, they will try to perpetuate the same corrupt system that got us where we are today. I hope, Madam President, this will be an opportunity for us to begin working together, to stop pointing political fingers of blame at each other, to learn the lessons of the past, and to ensure that never again will we allow this kind of situation to develop at the cost of our constituents—the taxpayers of the United States.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. SANDERS. Madam President, I would like to focus on three aspects of the current economic and financial crisis that is wreaking havoc on tens of millions of working families throughout our country and, in fact, people throughout the world. I think the questions we have to deal with are, No. 1, how did this crisis develop; No. 2, what can we do in the short term to address it and to protect middle-class families—people who are scared to death all over our country about losing their 401(k)s, people who are worried about losing their jobs, people who can't afford health insurance today—and, No. 3, what can we do long term to learn from the mistakes of today so that we create an economy where this crisis never erupts again.

I think those are the areas we might want to be focusing on right now.

Madam President, we are here today in the midst of the most serious financial and economic crisis that our country has faced since the Great Depression of the 1930s primarily—primarily—because of one reason; and that is, over the last many years, especially in the last 8 years of President George W. Bush, government policy, government ideology has been dominated by an extreme rightwing position that tells us—and we have heard it over and over and over again on the floor of the Senate—that government is bad, government is evil, government has to get out of the way so we can allow large multinational corporations and the wealthiest people in this country to do all of the wonderful things they will do to create prosperity for all Americans.

Now, among specific policies, what President Bush and others of that view have said is it is important for us to give huge tax breaks—trillions of dollars in tax breaks—to the wealthiest people and largest corporations in our country so they will then invest in America, create good-paying jobs, and their wealth will trickle on down. That is the trickle-on-down theory of economics.

In fact, my friend, Senator KYL, who just spoke a moment ago, is the lead advocate, along with Senator MCCAIN and many other Republicans, of the repeal of the estate tax that would provides $1 trillion in tax breaks over a 20-year period to the wealthiest three-tenths of 1 percent. Three-tenths of 1 percent receive $1 trillion in tax breaks. That is part of that ideology.

Further, what they have said is, we need to not worry about manufacturing in America because what we should establish is a policy of unfettered free trade. We don't need tariffs. What we need is to allow corporate America the freedom to throw American workers out on the street—people who are making 15, 20, 25 bucks an hour, health care, pensions—because somehow we are going to create wealth in America and good-paying jobs in America as we shut down plants, we move to China, and corporations there pay workers 20, 30 cents an hour, and we bring the products back into this country. Anyone who goes shopping in a mall knows how difficult it is today to find a product made in America, but that is a plus.

I have to say, in that regard, the champion—and he is honest on this one. Senator MCCAIN has been criticized recently for not being the most honest candidate we have seen in terms of his answers and so forth, but he has been honest on this one. He has been the lead advocate of unfettered free trade. This is an important part of this rightwing ideology: that it is good for America that corporations can go to China and bring products back into this country. But the third pillar of this rightwing ideology that I want to discuss this afternoon, and perhaps the most pertinent to the crisis we are now facing, is over and over again what we have heard from President Bush, what we have heard from Senator MCCAIN, what we have heard from many of our Republican friends is, deregulate, deregulate, deregulate; that the government has to get out of the way so that ExxonMobil and the other large multinational corporations can do all of the wonderful things they will do to create wealth in America.

I will just give one example. It is not a major example but a humorous example. All over this country, Madam President, parents who have little kids who play with toys have been worrying about the toys and the quality of the toys coming into this country. It was recently learned that at the Consumer Product Safety Commission, because of that ideology of deregulation, there was one guy, one person whose job it was to test all of the toys, thousands of different types of toys coming in from China and every other country in the world—many of them unhealthy, many of them having toxic ingredients in them. Because of deregulation, because we have great faith in these companies bringing toys in from China, we didn't even have to have a strong regulatory system. I am happy we have moved in that direction in the last few months, but that was the case.

The deregulation mantra goes obviously a lot deeper than toys. Let me focus for a moment on this issue of deregulation because it is at the heart of the current financial crisis we are facing. I want to say a word about the former Senator who, it turned out, was the chief economic adviser to Senator MCCAIN and who actually was the leader on deregulation.

I know in politics things change from yesterday to today. I have not heard Senator MCCAIN's last pronouncement. I guess he wants to regulate everything today. But yesterday and in the rest of his career he was a champion of deregulation and his major economic adviser was a gentleman named Senator Phil Gramm, formally the Senator from Texas.

To review a little bit of what Senator Gramm's role was in pushing us toward this deregulatory society, as chairman of the Senate Banking Committee in 1999, Senator Gramm spearheaded legislation that bears his name. It is not a great secret, it is his legislation, the so-called *Gramm-Leach-Bliley bill, and that broke down critical regulatory safeguards the Government had put in place after the Great Depression to prevent—what? To prevent exactly what we are seeing today. Senator Gramm spearheaded that effort and broke down those firewalls.

Having laid the groundwork for our crisis in the financial sector, the very next year Senator Phil Gramm is credited—and I do not think there is a lot of debate about this—with slipping into a large unrelated bill legislation that deregulated the electronic energy markets, including, of course, oil. There are leading energy economists—who have testified over and over again just this week, among other committee hearings before Congress—who are telling us that as a result of the deregulation of the energy futures market, 50 percent of the cost of oil, when it was at its peak of $147 a barrel—50 percent of that was due to speculation and that speculation was allowed to take place because of the deregulation of the energy futures market spearheaded by Senator Gramm.

We are seeing what deregulation did to the financial institutions, what it has done to energy prices, but that is not enough. Senator Gramm was a very aggressive and a very effective, if I might say so, Senator. As we all know, the Federal Government is in the process of nationalizing AIG and bailing them out to the tune of $85 billion. AIG, as we all know, is the world's largest insurance company.

It also turns out that the AIG situation is closely tied to the same extremist ideology that has been pushing us toward economic disaster. A key part of the responsibility for AIG's collapse lies once again with this same key Member of the Senate, Senator Phil Gramm, and his rightwing ideology. It turns out that Senator Gramm slipped a 262-page amendment—I always find it amusing how you can ''slip'' a 262-page amendment—into a larger bill that was instrumental in creating, and I know this number is a little bit difficult for anybody in the world to digest, a $62 trillion market for very risky, unregulated financial investments called credit default swaps, that are central to AIG's meltdown.

This is extremely complicated. Very few people understand anything about it. But we are talking about an unregulated $62 trillion market for credit default swaps, which played a major role in the collapse of AIG and the fact that the Federal Government is now in the process of bailing that company out.

As an online article from Time Magazine explains, AIG's traditional insurance business was doing well. In other words, when they were in the business that they had historically been in, actually they did quite well. But what AIG got involved in was more than traditional insurance. They got involved in risky derivative schemes called credit default swaps, or CDSs, that allowed big companies to guarantee each other's risky lending practices. The point here in this whole complicated scheme of things is that all of this is deregulated primarily because of the efforts of Senator Gramm. The big, bad Federal Government no longer can protect consumers, can protect our economy because we are going to trust all of these guys who are playing in a $60-plus trillion business.

In order to give the American people a full understanding of the risks posed by these unregulated credit default swaps, I wish to quote briefly from a September 15 article by Professor Peter Cohen, a graduate of the Wharton School, that details the full scope of the problem we face and the role Senator Gramm had in its creation. Let me quote from Professor Cohen.

> Lurking in the background of this collapse of two of Wall Street's biggest names, is a $62 billion segment of the $450 trillion market for derivatives that grew huge thanks to John McCain's chief economic advisor, Phil . . . Gramm. That's because in December 2000, Gramm, while a U.S. Senator, snuck in a 262-page amendment to a government reauthorization bill that created what is now the $62 trillion market for credit default swaps. I realize it is painful to read about yet another Wall Street acronym, but this is important because it will help us understand why the global financial markets are collapsing. . . . CDSs are like insurance policies for bondholders. In exchange for a premium, the bondholders get insurance in case the bondholder can't pay. . . . In the case of the $1.4 trillion worth of Fannie Mae and Freddie Mac bonds, the Government's nationalization last Sunday triggered the CDSs on those bonds. The people who received the CDS premiums are now obligated to deliver those bonds to the ones who paid the premiums.

Professor Cohen continues:

> Gramm's 262-page amendment, dubbed the ''Commodity Futures Modernization Act,'' according to the Texas Observer, freed financial institutions from oversight of their CDS transactions. Prior to its passage, they say, banks underwrote mortgages and were responsible for the risks involved. Now through the use of CDSs—which in theory insure the banks against bad debts—those risks are passed along to insurance companies and others . . .

wrote the Texas Observer. I will not go on.

The bottom line is Gramm, who is MCCAIN's leading financial adviser, spearheaded the effort to deregulate financial services that opened up this huge unregulated market. The result of that has played a significant role in placing us where we are right now.

We can go on and on. This is complicated stuff and I am sure there are people who can talk about this for many hours. In my view, the time for hand wringing is over. What we have to understand is the efforts of President Bush to ''deregulate, deregulate,'' and those of Senator Gramm, Senator MCCAIN and many others, was wrong. It largely contributed to where we are today.

It seems to me that Congress right now needs to put an end to this radical deregulation. We need to put the safety walls back up in the financial services market.

I was a member of the Banking Committee in the House in 1999 when this whole issue was discussed. Many of us then—a minority, but some of us then—saw exactly what was in line to occur. Some of us at least voted against it.

What we have to do now is understand that we need to reregulate the electronics energy markets, we need to end the unregulated credit default swaps. Unfortunately, the response we have been hearing from the administration and from Wall Street is not to do that but in fact to move us in another direction, which is to push for further consolidation in the financial services sector.

I have a very simple question. Do I hope I am wrong on this one, but I fear I may not be. That question is: What happens when these now even bigger entities, these multi-multi-multibillion dollar corporations—what happens when they run into trouble in the future? None of us hope that happens, but what happens if that does occur? Once again, clearly, it will be the American people who will be on the hook.

This country can no longer afford companies that are too big to fail. If a company is so large that its failure would cause systemic harm to our economy, if it is too big to fail, then it is too big to exist. What we need to do right now is to assess which companies fall into this category.

For a start, I don't think you need to be a Ph.D. in economics to understand this. I think Bank of America, if I may be allowed to say so, is certainly one of those companies. Let's take a look at Bank of America. It is the largest depository institution in our country. It has assets of $1.7 trillion; $711 billion of that money comes from bank deposits representing over 10 percent of all bank deposits in the entire country—one bank, 10 percent of all bank deposits.

In August, the Bank of America bought Countrywide, the largest mortgage lender in the country. And then last week it bought Merrill Lynch, the largest brokerage firm in America. There is so much concentration of wealth in the Bank of America that clearly, if it were to fall in the future, what do you think the U.S. Government is going to say? You can absolutely expect that the President or the Congress will say: My God, we can't allow Bank of America to fall. Because if they fall, it will impact the entire national economy, the entire world economy. The taxpayers of this country are going to have to bail out Bank of America.

My suggestion is before we allow ourselves to be in that position, maybe we make certain the Bank of America never is allowed to have that kind of power.

In my view, we should not be making Bank of America bigger; we should be breaking it up. We should start that process today and we should be breaking up other large financial institutions that are ''too big to fail.''

Finally, in terms of dealing with this unfolding disaster, we need to make certain that working Americans, the middle class of this country, are not asked to foot the bill for the current economic crisis that was brought to us by these large multinationals. If the economic calamity requires a Federal bailout, it should be paid for by those people who actually benefited from the reckless behavior of people empowered by the extreme economic views of Senator Gramm, President Bush, and Senator MCCAIN.

Right now, today, the wealthiest one-tenth of 1 percent earns more income than the bottom 50 percent. That gap between the very rich and everybody else is growing wider. We have the dubious distinction of having by far the most unequal distribution of income in the world, and on top of that the richest 1 percent owns more wealth than the bottom 90 percent.

The wealthiest 400 Americans—this is a startling figure that for obvious reasons people don't talk about too much, but this is amazing. The wealthiest 400 Americans in this country have not only seen their incomes double, but their net worth has increased by $670 billion since President Bush has been in office. Four hundred families have seen their net worth double and increase by $670 billion since President Bush has been in office.

Amazingly, the wealthiest 400 families in our country are now worth over $1.5 trillion—400 families. On average they earn over $214 million a year. As a result of President Bush's policies and the policies of our Republican colleague, the tax rate for these families has been cut almost in half, to 18 percent.

Amazingly—and this is a clearly a national disgrace—the wealthiest 400 families pay a much lower tax rate than most police officers do, than nurses do, than teachers do, than firefighters do.

Now, what does this say about us as a nation or about our politics, or the power of the wealthy over Government, when the middle class is paying a greater percentage of their income, a middle class which is in decline, a middle class where millions of workers have seen a reduction in their wages, and yet they are paying a higher percentage of their income in taxes than the very richest people in America?

It is this very small segment of our population which has made out like bandits, frankly, during the Bush administration. In my view, we need an emergency tax on those at the very top to pay for any losses the Federal Government suffers as a result of efforts to shore up the economy.

In other words, before we ask the middle class to pay more in taxes, before we ask working families to pay more in taxes, it is obvious to me that it is simply fair and right to go to those groups, that group of people who have benefited most out of Bush's policies, who have seen their incomes and their wealth soar. Let's ask them to help us bail out the economy rather than the working families who had nothing, nothing to do with this crisis, and, in fact, who have suffered under the 8 years of President Bush.

Before I finish, I wish to step back for a moment and examine this current crisis in the context of who our Government represents. What does it say about an administration that is prepared to put $85 billion at risk to bail out AIG but which has fought tooth and nail against programs that benefit working families all over this country? In my State of Vermont, people are worried about going cold this winter. And yet President Bush wanted to make hundreds of millions of dollars in cutbacks for the LIHEAP program that keeps people warm because we did not have enough money to do it.

We have enough money to provide hundreds of billions of tax breaks for the top 1 percent, we have enough money to spend $10 billion every month in Iraq, we have enough money to bail out AIG and Bear Stearns, but somehow we do not have enough money to keep people warm, to make sure that young people can go to college, to make sure that working people have affordable housing?

Since George W. Bush has been in office, nearly 6 million Americans have slipped out of the middle class and into poverty; over 7 million Americans have lost their health insurance; more than 4 million Americans have lost their pensions; over 3 million good-paying manufacturing jobs have been lost; total consumer debt has more than doubled; the median income for working-age Americans has gone down by over $2,000, after adjusting for inflation.

The interesting question to ask is, in the midst of that crisis facing tens of millions of working families, where has President Bush been? Where has his voice been in saying we have got to bail out working families who are seeing the decline in their standard of living and are falling into poverty? We have got to protect old people who are going to go cold this winter. We have to make sure that everyone in our country is able to get a decent education and can afford college. We have got to make sure that all Americans have health insurance. I have not heard the President say we need to bail out the middle class or working families, but he surely has been there to bail out large multinational corporations.

The American people deserve better. We need to reject the failed economic policies and priorities of President Bush and JOHN MCCAIN. We need a government that is not going to allow the wealthiest people and the largest corporations to loot our economy. We need a government that will put regulatory firewalls back in the financial sector and end the use of unregulated credit swaps. We need a government that is going to prevent speculators from stealing from them at the gas pump. We need a government that breaks up corporations that are too big to fail. We need a government that is going to view the problems of ordinary Americans as almost as important as they view the needs of large multinational corporations.

In other words, we need a government that represents the people of this country rather than just the wealthy and large multinationals.

I yield the floor.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

THOMAS VANDER WOUDE

Mr. BROWNBACK. Madam President, we also, I think, need a government that will stand up for the weakest and most vulnerable amongst us as well.

I have got a real story of human heroism that I wanted to share with the body, and then I am hopeful we can agree to a piece of legislation that Senator KENNEDY and I have done that has been rolled into this bigger package that has drawn a lot of difficulty.

But this is a piece Senator KENNEDY and I have worked on for a couple of years now. There is no reason for this to be blocked. So I am hopeful we can then move to it and pass it through this body, move it on forward.

I have got a picture of a gentleman. I want to show you a wonderful man. This is Thomas Vander Woude. This is an incredible story here in the suburbs around Washington, DC. On September 8, Thomas Vander Woude returned from mass that he had gone to in Gainesville, VA. He attended mass regularly and was working in his yard with his youngest son, who is 20 years old, Joseph. He is known by the family as Josie. Josie is a Downs syndrome adult. He fell through a 2 foot by 2 foot piece of metal that covered an opening to a septic tank, Josie did. His dad Thomas immediately rushed to his aid. According to an account in the Washington Post, when he saw that Joseph could not keep his head above the muck, Vander Woude, who was 66, jumped in the tank, ''submerged himself in sewage so he could push his son up from below and keep his head above the muck.''