could keep doing business as usual, so they could continue to make the political contributions and continue to run the Congress as they wished. I recall on more than one occasion we were trying to push that legislation that Senator DOLE originally sponsored, which I was proud to cosponsor with JOHN MCCAIN, so that we would have an effective regulator over Fannie and Freddie. It was really about Fannie Mae was not going to go for that, so that meant it was dead on arrival and we could not get it done. As they were able to have their say in terms of the type of regulator they wanted, then they were able to create the kind of crisis we have come to today.

They fueled and funneled the risky securities that Wall Street bought and sold and made lots of money, while ignoring the systemic risk that move posed to the financial system.

In 2003, when I was HUD Secretary, I came before the Congress with Treasury Secretary Snow and warned of the loose regulation of the GSEs and the risk posed by their undercapitalization.

We asked Congress to create a world-class regulator to properly provide oversight to these financial entities that had become so large that they had an implied guarantee of the Federal Government, and they were deemed too big to be allowed to fail.

In 2005, Federal Reserve Chairman Alan Greenspan told the Congress how urgent it was for it to act, and he said in the clearest possible terms, if Fannie and Freddie ''continue to grow, continue to have the low capital that they have, continue to engage in the dynamic hedging of their portfolios, which they need to do for interest rate risk aversion, they potentially create ever-growing potential systemic risk down the road.''

Well, we are now at the end of that road. As we go forward, not only will Congress have to determine the future role of these entities, we need to take a very close look at the practices that brought us to this place.

Throughout all of this work, we cannot lose sight of the root cause of this financial debacle—the housing crisis. What are we going to do to avert an ever-deepening housing crisis? When we ask Secretary Paulson what is the reason we are where we are, obviously, the lack of regulatory scheme appropriate for Fannie and Freddie is part of it, but they say that mortgage-backed securities continue to have no value. The markets for mortgage-backed securities, which has essentially locked down the entire lending system of our country—and I daresay the world—came about as a result of the deepening crisis in home prices, the fact that home values continue to decline, so mortgage-backed securities continue to have little or no value.

So what are we doing in this scheme that we are discussing to avert an ever-deepening housing crisis? How are we going to try to put a floor on those declining home values that are creating the type of crises in mortgage-backed securities that brought us to this brink of complete financial collapse of our financial system?

Floridians are among the hardest hit in the Nation. Our State is suffering mightily because of the deepening housing crisis. I have, for a long time, been saying, as we talked about a stimulus package some months ago—and we got them out the door and a lot of families have been helped by that, and I voted for that package—I said then: What are we doing not to treat what is apparent in our economy, which is that people are hurting, but the root cause of the pain, which was the housing economy? The fact is, folks who work in home construction are out of work, homebuilders are not being able to keep their employees going and give them the health insurance they provided for them, and we have that entire cycle in the homebuilding industry that is, today, not working as it should, which is providing us with the kind of economic pain so many Floridians are feeling.

In addition, we have people now in foreclosure or are facing it. That will continue, as will the decline of neighborhoods. As the neighborhoods decline, the communities decline. How are we going to help that situation? I believe it is inevitable that, whether we do it now or later, we have to seriously address the issue of the declining home values. One way of doing it would be to provide a healthy $15,000 tax credit to those who would invest in a new home and help them with the downpayment by that particular means. That is a solution that I have been advocating that may be of significant help in bringing down the huge inventory of unused homes that we have, particularly in places such as Florida.

Housing prices continue to fall, inventories continue to rise, and a growing number of homeowners are facing their own personal foreclosure crisis.

To find the bottom of the housing crisis, to stabilize prices, we need Congress to act. We can approve home-buying incentives. Congress can approve a tax credit for downpayments. That would at least encourage people to enter the marketplace, would reduce housing inventories, and get the money flowing back into the market.

As Congress debates this package, let's remember whom we work for—the American taxpayer. Our priority should be making decisions that serve their best interests. No blank check, strict oversight, accountability, and taxpayer recourse.

It is in every American's best interest that we act. I look forward to creating the right legislation that averts a financial crisis that will affect every single American—a financial crisis perhaps bigger than the Great Depression. That is what is at stake today.

So this is a moment when we have to get away from the usual partisan rancor. We have to get away from thinking about how we might gain a political advantage over the other side. The fact is, we need to put aside the fact that we have an election coming up, put aside all of our differences, and we have to come together—Republicans and Democrats, liberal and conservative—for the good of our country. This is a moment that doesn't call for politics as usual. I believe it is a moment that calls for something a little bigger than that, a little greater than that.

I look forward to working with my colleagues on both sides of the aisle to come up with the best ideas that we can. But at the end of the day, I believe the failure to act would be so cataclysmic, so devastating to our country that we have but only one course, which is to find the best way to get this done, with the right oversight and the right checks and balances, but act we must.

I thank the Chair and yield the floor.

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

Mr. DOMENICI. Mr. President, I understand we are in morning business.

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. I ask unanimous consent that I may speak until about 11:45.

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

THE ECONOMY

Mr. DOMENICI. Mr. President, I didn't get the entire message of the distinguished Senator from Florida. The part of the speech I heard talked about us getting together and working as American Senators, not Republicans or Democrats, in this time of crisis. I totally congratulate the Senator. I agree with him and I believe it is imperative that we do something before we leave.

Today, I hear talk that we have a continuing resolution we have to pass, and then we are finished. I am not hearing that from anybody officially, but it is chattering around. That is the big thing to do.

I must say, that is a frightening thought. If we are thinking of leaving here without doing something to give the Treasury Department of the United States some authority to stabilize the credit system of the United States—if we don't do that and spend time doing that, we don't deserve to be called Senators.

It is hard to explain, but when you look at it, credit and the American credit system—call it the banking system if you would like, but I am calling it the credit system—is what makes America's prosperity available to millions and millions of people. It is the credit system that we set up that has given us the greatest standard of living that any people have ever had.

Something is going wrong with that financial system. It is not a question of Wall Street; it happens to be that Wall Street is the center for some of these financial systems that I am talking about. But they are going amiss; they are going awry. Something basic is happening, so that the liquidity of the system, which means the money available for the American financial system that I have just spoken of—something has clogged it up. We are told by the experts—and I don't think they have anything to gain. I think the Chairman of the Federal Reserve Board is a distinguished American who never would have thought he was taking on this job when he agreed to be Chairman of the Federal Reserve.

Incidentally, for those who don't know, he has a Ph.D. in economics, but guess what his dissertation was on. It was on the Great Depression. I think we are lucky that we have somebody there who understands the worst of times. He is here, joined by the Secretary of the Treasury, who is not a long-term Wall Streeter. It is only about 6 years that he has been involved in the Wall Street activities as a businessman. He is here begging us, pleading with us, and apologizing that he is not a good speaker. I am kind of saying: Who cares. Just listen to what he says. If you can understand it, pick it up and decide there is something for you to do.

If I sound like I am concerned, I would like everybody to know I have a very large stake in the future. My grandchildren haven't stopped arriving on the scene. I have 13 of them. I have 8 children of my own, and America has been great to all of us. There are millions more Americans like myself.

What is going to happen if we leave here without solving this problem or at least giving the executive branch, through the Secretary of the Treasury, the authority to try to do something to make this system liquid so that money will flow again? If we don't do that and we go home and think we are going to have a Christmas, we are apt to have a Christmas that will shock us all.

We are being told we can have a recession. Those are the words of a mild-mannered Federal Reserve Chairman. That is what he says, we could have a recession. I am quite sure when he is in the back room talking with those experts who advise him and with Secretary Paulson, he says worse than that. He probably says the thing can fall apart because it is all tied together and now it is all going to come untied, this great country, with billions of dollars in securities in the hands of all kinds of countries and people, having the dollar fall and the other signals out there that maybe they are right, that we are getting close to things falling apart.

I have a prepared speech. I asked somebody who is an expert to give me the whole history of the banking system of the United States since 1933. I was hoping I would have time to read it and let everybody know what it was and how it happened and how we as legislators in America didn't quite respond to the banking system as fast as we should. Legislation didn't keep pace with the changes.

So many people are to blame for us getting to where we are. There are plenty of people who abused the system. But if we get hung up trying to find out who did something wrong, then we are going to sit here, with our fingers pointed, in chairs trying to conduct hearings, asking the FBI to do things while the America we know goes down the tube.

I believe it is time for clear thinking, for Senators to say: We have to take this one on the chin. If it is going to hurt politically, it might as well hurt politically while you are doing the greatest thing you could do for your country, and that is save it—save it from economic turmoil. If that is not the case and you don't believe it, then obviously you can leave as Senators or Representatives. Once the CR is passed, you can go home and start your Christmas festivities and start running for reelection. I hope if you do that, when you come back, maybe those of us who will stay and work will not let the system fall apart for you. But if you want to take that chance, do it.

I think my colleagues should be here, not home campaigning. And I think the American people are going to hold you responsible if you don't get this thing solved.

I hear some say we will do a little something. No, no, not do a little something. We have the best people advising us that we have to do this, and there is even a chance if we do this right that we won't lose as much money as we will as if we do nothing; that, in fact, we may lose many more billions of dollars if we don't do something to stop the hemorrhage and at the same time loosen up the money.

I haven't said ''Wall Street'' very often in this speech, and I haven't used the word ''bailout'' because I don't think we are bailing out Wall Street and I don't think it is Wall Street that is the beneficiary of what we are trying to do. Stop and think. Who is involved in this thing called money lending in the United States, credit in the United States? There are millions of people and thousands of institutions that lend money. To whom? To people buying a car, buying a house, buying the Christmas presents for their children, improving the house, buying the lawn mower, buying their third car, and on and on. Those are the people who are using this credit system.

One time off the cuff I didn't know what to speak about before a crowd. I decided to have them guess with me: What is the greatest system that is working in the United States that is beneficial to you on an everyday basis? Of course, nobody could guess what I was going to say. I said: the credit system of the United States. And then I proceeded to tell them why the credit system was one of the best things that America had going for us—not for Wall Street, for us. And the credit system is at stake. If it doesn't work, nothing works. If your credit system doesn't work, you don't buy houses, you don't buy cars, you don't buy toys. Maybe you buy groceries. But if it is broken, who knows what will happen to a country such as ours when we have been so used to so much for so long.

Having said that, I have a little bit more time and I wish to talk a little bit about the history. Maybe I will rethink this for a minute and put it this way. I believe it is imperative that we pass legislation, and I believe that if the consensus is, after saying we want to give the executive branch what they think they need to solve this problem, if the consensus is that we need to add something to that legislation—add oversight, add something on executive pay, whatever the other things are—let's get on with it. Let's do that. Let's sit down with the leaders from the White House, from the executive branch, and say: What do we need in addition to their proposal? And let's talk seriously. I don't see why it would take so long. I don't see why we can't do it.

Incidentally, I was chairman of the Budget Committee when the Resolution Trust Corporation was formed in order to curb the savings and loan crisis in the early nineties. That effort was also very controversial. Yet that effort stabilized the markets and eventually made money for the American taxpayers. Of course, it was much more limited in scope. We were talking about the savings and loan institutions. Some were regulated, some were not regulated, and we were in some kind of a real mess. Some had deposit insurance that was adequately covered, some didn't. We had to take over their assets and then dole them out. Some people made a good deal and bought them cheap and made money. People focused on that and said what a dumb thing we did because some people made money on the buyouts from this Resolution Trust Corporation. In the end, when we added it all up, it made more money than it lost, and it saved the system. In the process, a lot of purification occurred, a lot of cleaning out occurred.

The same is going to happen here. I am no expert on the difference between then and now, the Resolution Trust Corporation problem that was being solved and the problems we are going to solve now, but clearly there are many similarities. We were frightened. When we heard the first reports about how much we might lose, there were many who supported it who didn't want to go home, they wanted to hide their heads under the desks because it was so many billions of dollars. This one is going to be worse, and if we don't decide to fix it, there are not going to be any desks to hide under, in my opinion.

The other problem we have is we haven't told the American people that this affects them. They have been told, because of the way it was presented, ''Wall Street,'' ''bailout,'' those famous words—it has been presented as if it doesn't have anything to do with the people on Main Street and in our shopping centers across America and those who are selling and buying houses anywhere in America or buying cars from their local dealerships. It applies to all of them.

If liquidity, the liquid money flowing, stops for any period of time, all of those are affected. And guess who is at the end of each of those. The American people. They are all going to be affected. In fact, I am quite sure many thousands of Americans are worried today as to what they should do with their money, with their savings. We need to build some confidence back into the system and in them. We need to stabilize the system and build confidence in the American people by us being confident, by speaking out that we intend to do this, and by doing it we are going to save this credit system in the United States which applies daily to each American in a different way, but is their credit system, the credit system of the people of this country.

The history of the banking system in the United States is clearly an interesting one, and I believe rather than give it today, I will reserve it—I know I will have another opportunity to speak—and change the tenor of my remarks today from the history of the banking system to my version of the problem, from the top of my head as I think and look at a few words, what I think the problem is and what I think our responsibility is.

I once again say that before we leave here, we have a responsibility to face up to what could be the greatest economic crisis America has ever seen. If it isn't that big, we don't understand it. We are being told by those who know that it is that big, that it could be the biggest economic crisis we have ever had. I tend to believe these two gentlemen. I have heard them. I don't know them. I listen to them. I have no idea why they would be telling us this if it were not that they truly believed it was the fact as they gathered the facts from this enormous credit system of the United States.

I repeat, we are fortunate that the two experts are truly expert on matters similar to the ones we are facing. I didn't know about the good doctor who is Chairman of the Federal Reserve until I was preparing for this speech and for these hearings, that not only is he an economist but his expertise is in the Great Depression. No wonder he talks so confidently about what might happen if we do this or that.

Who are we going to believe if we don't believe people such as them? Who are we going to believe if we don't believe the Secretary? The Secretary worked so hard yesterday. I was around him late in the afternoon. I thought maybe he ought to go home and rest, he had worked so hard. He truly is trying to tell us with two red flags—if he could hold five of them—he is trying to tell us there is a big problem and we better start solving it. Don't be worrying too long how big the fire is or how big the fire hose has to be. We know how big the problem is. It is either as big as they say, or we have to guess and say we, as Senators, with no expertise in this area, no more than that, we are going to guess. I don't choose to do that. I don't think that is why we are here. This is a complicated system. The credit system of the United States is complicated. They have narrowed it down to five or six major events and now the big one that will wrap it up. We better help them or we better be prepared to face the consequences ourselves as individual American Senators.

I yield the floor and thank the Senate for listening.

I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CASEY). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. GREGG. Mr. President, I understand that at 12 o'clock I am to be recognized for half an hour, but I ask unanimous consent that I be allowed to proceed at this time for half an hour.

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

MAIN STREET

Mr. GREGG. Mr. President, the reason I wanted to take a half hour is to discuss at some length and in some depth the situation we are in right now, as I see it, relative to the financial markets as they affect Main Street because there is a lot of confusion out there and this issue is about Main Street. It is that simple.

Why is it about Main Street? It is about Main Street because if our financial markets become totally destabilized, that leads directly to the ability of people to keep their jobs, to keep their savings, and to create more economic activity on Main Street.

How does this work? It is very simple. If you are working for a small company or even a medium-sized company and certainly if you are working for a large company, it is very likely those companies borrow money to do things. They may borrow money to buy the materials you work on in order to create their product. They may borrow money in order to pay their suppliers. They may borrow money to pay their payroll every week to make your paycheck. That is just the natural order of commerce in our Nation. That is the way banks work. That is the way Main Street works.

You have a little restaurant, a mom-and-pop restaurant, and they didn't make quite enough this week to pay their payroll, so they go to their local bank or the community bank and they say: Will you give me a loan to get me through this week so I can make payroll?

A person who makes a significant or a reasonable amount of money takes their money and puts it in their bank, into a savings account or maybe into a money market instrument because they get more interest on a money market instrument, and that becomes a big asset in their life.

Let's say a person wants to go out and buy a car. Most likely, they are going to borrow money to do that, either from their local bank or through their car dealership or they are going to borrow money from a major financial entity such as GE or GMAC. The same is true if you are buying a house, obviously, or if you are buying a lot of things. If you are adding on to your house, you are probably going to try to get a home equity loan. If you are going to expand or improve your kitchen, put on a playroom for your kids or, if the kids are old enough, send them to college, you are probably going to borrow money to pay for their college education.

The ability to borrow, the ability to use credit in our system is at the essence of the economic lifeblood of our system. Every person in this country is affected by it.

Unfortunately, what we are confronting and what we almost saw last week is a total seizing up of our financial industry, and not just the big banks in New York we hear so much about—not just Lehman Brothers and Merrill Lynch and Bear Stearns—but the mom-and-pop bank in your local town, the medium-sized bank in your local county or your State. All of these were under huge pressure. And why is that? It is because underlying the banking system is the business of trading and exchanging credit, of buying and selling debt between banks.

One of the main elements of buying and selling debt is a debt instrument called a mortgage-backed security. Now, what is that? A mortgage-backed security is a debt instrument, as if you went to your local bank and borrowed money, only it is a big set of debt instruments, and the security for those debt instruments is mortgages. What has happened, because of the real estate meltdown and because of the subprime event and the collapse of the real estate industry, primarily in our bigger States, such as Arizona, California, and Florida, is it has become extremely hard to value the security below that debt instrument—those mortgage-backed securities—because the value of that asset has reduced so much, the house price has reduced so much.

The reason for that is because a lot of the loans which were made to buy those securities—to the person who is actually paying the loan, the person who lives in the house, theoretically, or the person who speculated and bought the house as part of their investment—were made at a time when money was so cheap to borrow that