

be called, the Banking Committee. This means deposits and prudent lending must be unwound, separated, and regulated differently from the securitization process for a major portion of economic activity.

Number five, we ought to incentivize the accumulation of equity by ordinary citizens, and I was pleased to see that President Obama's budget includes savings proposals. And, we ought to restore an ethic of service to bank customers by those working in banks, not using them to empty out the limited savings of the American people.

Number seven, we ought to restore the balance of power between Wall Street and the megabanks on the one end of the scale with community-based banks and credit unions at the other end of the scale. We ought to ask Chairman Bernanke for more on that score.

And, finally, we ought to investigate, investigate, investigate. In an article last week titled, "Then It's Securities Fraud," journalist Froma Harrop wrote that law professor William Black of the University of Missouri Kansas City, who is also renowned for his work in ethics, has mounted a campaign for a new Pecora-type investigation here in the Congress. That was a series of hearings held by the Senate Banking Committee into financial wrongdoing at the end of the Great Depression.

Harrop writes, "As the bottom was falling out of derivatives trading, AIG was reporting healthy profits. That's not allowed under the law. Meanwhile, the company created a short-term bonus system for its top executives."

Professor Black's call for a Pecora Commission should not go unheeded by this Congress. The issue of securities fraud is not a small matter.

The first order of business is to get the financial system righted so the ship doesn't sink. We owe that to the American people who are trying to hold on to their own dreams.

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Then the Congress must launch an investigation like no other into the causes of this crisis. And frankly, it is a conundrum to this Member why that set of investigations has not already begun. We need to learn every detail about what happened and why and bring the wrongdoers to justice so that this never, ever happens again.

Next week, I'm going to offer greater detail about what America needs to do from this point forward. But certainly one of the actions that should be taken today is that the Federal Deposit Insurance Corporation and the Securities and Exchange Commission should immediately employ reforms in mark-to-market accounting so that we can actually help our banks begin to lend again, because we can never possibly replace the capital being destroyed every day by mark to market with the infusions from the taxpayers of the United States.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. SHERMAN) is recognized for 5 minutes.

(Mr. SHERMAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

INVESTORS PARTNERING WITH TAXPAYERS TO BAIL OUT WALL STREET

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

Mr. DEFAZIO. We have been told this would be the most transparent administration in history. And in many areas, they are infinitely better than the Bush administration. Their single greatest failing comes in the area that, unfortunately, is foremost with most Americans today, which is the economy and the bailouts on Wall Street.

Treasury Secretary Geithner has now proposed a new plan. It is a pretty good deal. Taxpayers will put up 95 cents of every \$1, investors will put up, well, between 5 and 7 cents. And it is called a nonrecourse loan; that is, these speculators will put down 5 cents on the dollar to bet on certain packages of so-called toxic assets from the banks, buying them from the banks, and they will share evenly in the profits with the American taxpayers, except the American taxpayers put up 95 cents, and the speculators put up a nickel.

It is certain to perpetuate what has been going on on Wall Street, which is making a few people very rich and impoverishing average Americans, and this time through the tax system and putting taxpayers on the hook.

The program is reported, according to the Washington Times, to have been designed by two prominent Wall Street firms, Blackstone, a secretive private equity group, and a company called Pimco, both of whom apparently have very large positions in these so-called "toxic assets." It is reported by the Washington Times that they suggested this to some of their insider buddies in the administration, and the insider buddies presented this to Secretary Geithner, who has been floundering around trying to put details to his program, and now he has found them. So Wall Street has written the details.

Also, according to the Times, Pimco and Blackstone are not only in line to be able to wash some of their toxic assets and to gamble mostly with taxpayers' money on other people's toxic assets, but they are going to be hired by the government to manage the program. What a beautiful sort of circular little system this is.

We need some accountability and transparency. We need a commission akin to the commission named after the collapse in the Great Depression to investigate every aspect of what has gotten us to this point, who has been involved, what laws have been broken, with subpoena power so that some of

these people can enjoy, instead of Federal handouts, they can enjoy Federal hospitality in a maximum security prison somewhere.

Plain and simply, I believe the American people are being taken to the cleaners yet again with this particular plan. What is wrong with actually taking AIG and winding it down? It is a so-called "zombie." We are told in vague terms "it is too big to fail." When I asked Secretary Geithner, just about 10 days ago, I read in the Wall Street Journal, Mr. Secretary, that, in fact, we are shoveling money in the front door of AIG because it is too big to fail, the taxpayers are on the hook for over \$150 billion to AIG, and now we are 80 percent owners, and they are still paying bonuses to the people who created the problem, and apparently they are shoveling money out the back door to some of the firms who are getting money in the front door, most notably Goldman Sachs. Goldman Sachs has been getting direct infusions of cash from the Federal Government, and now they are going to be made 100 percent whole on their bets with AIG. They were gambling with AIG, betting against other people's securities with these so-called "credit default swaps." So instead of saying, "tough, we will give you back your bet, but we are not going to give you 100 percent of the amount you were betting on," they are getting 100 percent of the amount they were betting on, and meanwhile we are subsidizing them on both ends here through this black box that is called "AIG" that is too big to fail, that, gee, it is just way too complicated to explain to you why it is too big to fail and why we couldn't unwind this zombie corporation in an orderly way. Had we done that last fall or earlier this year, then we wouldn't have had to pay the bonuses because it would have been clear the company was bankrupt, and it could have been taken care of and unwound in a much more orderly way. But we are not being given the information about why it is too big to fail and why this is the way to do it.

And when I asked Secretary Geithner, is it true we are giving money to AIG that then they are giving to Goldman Sachs for bad bets they made? I asked if there was something call a "naked credit default swap?" He said, "oh, don't believe everything you read in the Wall Street Journal. It is not true."

The Treasury has revealed that what I read in the Wall Street Journal was indeed true. These same huge firms that are benefiting from a direct bailout from the government are also getting a second-level indirect bailout on their bad bet. And some of these firms are foreign banks. We are not only bailing out the likes of Goldman Sachs. We are bailing out Deutsche Bank and other foreign interests.

This is outrageous. We need a full investigation, an explanation of what has gone on and what is going on. We need to take legal steps to prosecute any of