lay down three guiding principles. The first is, we do need to ensure that the measures we are taking protect these Americans who remain at risk of foreclosure. We have to take some proper action now so that this crisis does not grow deeper. But we also need to be very sensitive to the thousands of workers, many of whom live in this area, who have built careers at Fannie Mae and Freddie Mac. Many of those workers have their retirement savings tied up in the plummeting stock of these formerly robust companies. But as we focus rightly on those two concerns, on the homeowners and on the workers, we also need to be equally clear that any solution to this crisis has to be fair to the American taxpayers who ultimately are going to foot the bill. When times go bad like this, quite often the people who are paying the taxes are people who do not even own stock, or maybe it is somebody who makes $40,000 a year driving a truck who now is being asked to put money up to preserve an entity where, again, we see executive compensation and stock values over the years have increased.

Paul Krugman wrote a piece in the New York Times today addressing elements of this issue. I want to read a portion of it.

The case against Fannie and Freddie begins with their peculiar status: although they're private companies with stockholders and profits, they're ''government-sponsored enterprises'' established by Federal law, which means that they receive special privileges. The most important of these privileges is implicit: it's the belief of investors that if Fannie and Freddie are threatened with failure, the Federal Government will come to their rescue.

This implicit guarantee means that profits are privatized but losses are socialized. If Fannie and Freddie do well, their stockholders [and the corporate executives] reap the benefits, but if things go badly, Washington picks up the tab. Heads they win, tails we lose. Such one-way bets can encourage the taking of bad risks, because the down side is someone else's problem.

Mr. President, I ask unanimous consent to have the entire New York Times article printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 14, 2008]

FANNIE, FREDDIE AND YOU

(By Paul Krugman)

And now we've reached the next stage of our seemingly never-ending financial crisis. This time Fannie Mae and Freddie Mac are in the headlines, with dire warnings of imminent collapse. How worried should we be?

Well, I'm going to take a contrarian position: the storm over these particular lenders is overblown. Fannie and Freddie probably will need a government rescue. But since it's already clear that that rescue will take place, their problems won't take down the economy.

Furthermore, while Fannie and Freddie are problematic institutions, they aren't responsible for the mess we're in.

Here's the background: Fannie Mae—the Federal National Mortgage Association—was created in the 1930s to facilitate homeownership by buying mortgages from banks, freeing up cash that could be used to make new loans. Fannie and Freddie Mac, which does pretty much the same thing, now finance most of the home loans being made in America.

The case against Fannie and Freddie begins with their peculiar status: although they're private companies with stockholders and profits, they're ''government-sponsored enterprises'' established by federal law, which means that they receive special privileges.

The most important of these privileges is implicit: it's the belief of investors that if Fannie and Freddie are threatened with failure, the federal government will come to their rescue.

This implicit guarantee means that profits are privatized but losses are socialized. If Fannie and Freddie do well, their stockholders reap the benefits, but if things go badly, Washington picks up the tab. Heads they win, tails we lose.

Such one-way bets can encourage the taking of bad risks, because the downside is someone else's problem. The classic example of how this can happen is the savings-and-loan crisis of the 1980s: S.&L. owners offered high interest rates to attract lots of federally insured deposits, then essentially gambled with the money. When many of their bets went bad, the feds ended up holding the bag. The eventual cleanup cost taxpayers more than $100 billion.

But here's the thing: Fannie and Freddie had nothing to do with the explosion of high-risk lending a few years ago, an explosion that dwarfed the S.&L. fiasco. In fact, Fannie and Freddie, after growing rapidly in the 1990s, largely faded from the scene during the height of the housing bubble.

Partly that's because regulators, responding to accounting scandals at the companies, placed temporary restraints on both Fannie and Freddie that curtailed their lending just as housing prices were really taking off. Also, they didn't do any subprime lending, because they can't: the definition of a subprime loan is precisely a loan that doesn't meet the requirement, imposed by law, that Fannie and Freddie buy only mortgages issued to borrowers who made substantial down payments and carefully documented their income.

So whatever bad incentives the implicit federal guarantee creates have been offset by the fact that Fannie and Freddie were and are tightly regulated with regard to the risks they can take. You could say that the Fannie-Freddie experience shows that regulation works.

In that case, however, how did they end up in trouble?

Part of the answer is the sheer scale of the housing bubble, and the size of the price declines taking place now that the bubble has burst. In Los Angeles, Miami and other places, anyone who borrowed to buy a house at the peak of the market probably has negative equity at this point, even if he or she originally put 20 percent down. The result is a rising rate of delinquency even on loans that meet Fannie-Freddie guidelines.

Also, Fannie and Freddie, while tightly regulated in terms of their lending, haven't been required to put up enough capital—that is, money raised by selling stock rather than borrowing. This means that even a small decline in the value of their assets can leave them underwater, owing more than they own.

And yes, there is a real political scandal here: there have been repeated warnings that Fannie's and Freddie's thin capitalization posed risks to taxpayers, but the companies' management bought off the political process, systematically hiring influential figures from both parties. While they were ugly, however, Fannie's and Freddie's political machinations didn't play a significant role in causing our current problems.

Still, isn't it shocking that taxpayers may end up having to rescue these institutions? Not really. We're going through a major financial crisis—and such crises almost always end with some kind of taxpayer bailout for the banking system.

And let's be clear: Fannie and Freddie can't be allowed to fail. With the collapse of subprime lending, they're now more central than ever to the housing market, and the economy as a whole.

Mr. WEBB. Looking at or thinking about Mr. Krugman's piece, we should also recall that the chief executives of those two companies last year earned multimillion-dollar compensation packages. We respect the guidance and the leadership that allows corporate CEOs to make these kinds of compensation, but at the same time, we should not be asking the taxpayers of this country, many of whom do not even own stocks, if we are buttressing the activities of these companies, to continue to assist financially this type of corporate compensation.

We have seen one example with the recent IndyMac Bank failure where the FDIC came in and the acting CEO gets a regular Federal salary. I urge all of my colleagues to think about this this week, that, as Mr. Krugman says, ''the profits are privatized,'' meaning the small group of people who own stocks take advantage when things go well, and sometimes we talk about economic Darwinism and how the fact that they make that sort of compensation relates to their talent, ''but losses are socialized'' meaning that everyone in the country ends up having to pay when things go wrong in order to protect the system from falling apart.

Well, the bottom line of that is, if our taxpayers are going to be required to chip in to solve the problem, they should not be alone. The executives who are involved in the operations of these institutions should also be willing to do the same.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

The majority leader is recognized.

CONCLUSION OF MORNING BUSINESS

Mr. REID. Mr. President, I have talked to the distinguished ranking

member of the Foreign Relations Committee and explained to him where we are. I am very happy we have an agreement to move forward on PEPFAR. That agreement is that we have 10 amendments. They are amendments we worked on hard. We did it all day Thursday and Thursday night, and then Friday, of course, perfecting the agreement, and we now have consent to move to the bill.

Here is the problem that faces the majority: By our moving to PEPFAR, it opens a spot where somebody can move to proceed to something else, anything that is on the calendar. Anyone can come in and move to that piece of legislation, and file a cloture motion with it, which would force us to be on that matter. I cannot allow that to happen.

I say this with the deepest respect for all my Republican colleagues, but we have had a little bit of mischievous legislation being thrown about here, and so if I move to something else to fill that spot to keep someone else from moving to something else, we on this side would be very happy to leave that dormant, do nothing with it, and move forward and complete PEPFAR. There would be no harm to anyone in doing this. But it would seem to me there would be a lot of harm if—I will not mention any names—the two or three likely suspects walked over here and moved to proceed to something else. I think it would create a lot of problems.

This PEPFAR legislation dealing with global AIDS is extremely important. The President wants it. I do not know of a single Democrat who does not want it. I think most Republicans—I think the vast majority of Republicans—want this. So I would hope we are not going to get off track because of some folks over here who have tended to make me kind of look for a sucker punch to be thrown at any time. I think we would all be ill-advised to not finish PEPFAR at this time.

Mr. President, I would ask that morning business be closed. That being the case, I think the order is now in effect that once it is closed, we would be on PEPFAR.

Is that right; I ask the Chair?

The PRESIDING OFFICER. The Senator is correct.

Mr. REID. Mr. President, I would ask that morning business be closed.

The PRESIDING OFFICER. Morning business is closed.

TOM LANTOS AND HENRY J. HYDE UNITED STATES GLOBAL LEADERSHIP AGAINST HIV/AIDS, TUBERCULOSIS, AND MALARIA REAUTHORIZATION ACT OF 2008

The PRESIDING OFFICER. Under the previous order, the motion to proceed to S. 2731 is agreed to, and the Senate will proceed to the consideration of the measure, which the clerk will report by title.

The assistant legislative clerk read as follows:

A bill (S. 2731) to authorize appropriations for fiscal years 2009 through 2013 to provide assistance to foreign countries to combat HIV/AIDS, tuberculosis, and malaria, and for other purposes.

Thereupon, the Senate proceeded to consider the bill, which had been reported from the Committee on Foreign Relations, with an amendment to strike all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

SEC. 2. FINDINGS.

Section 2 of the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (22 U.S.C. 7601) is amended by adding at the end the following:

''(29) On May 27, 2003, the President signed this Act into law, launching the largest international public health program of its kind ever created.

''(30) Between 2003 and 2008, the United States, through the President's Emergency Plan for AIDS Relief (PEPFAR) and in conjunction with other bilateral programs and the multilateral Global Fund has helped to—

''(A) provide antiretroviral therapy for over 1,900,000 people;

''(B) ensure that over 150,000 infants, most of whom would have likely been infected with HIV during pregnancy or childbirth, were not infected; and

''(C) provide palliative care and HIV prevention assistance to millions of other people.

''(31) While United States leadership in the battles against HIV/AIDS, tuberculosis, and malaria has had an enormous impact, these diseases continue to take a terrible toll on the human race.

''(32) According to the 2007 AIDS Epidemic Update of the Joint United Nations Programme on HIV/AIDS (UNAIDS)—

''(A) an estimated 2,100,000 people died of AIDS-related causes in 2007; and

''(B) an estimated 2,500,000 people were newly infected with HIV during that year.

''(33) According to the World Health Organization, malaria kills more than 1,000,000 people per year, 70 percent of whom are children under 5 years of age.

''(34) According to the World Health Organization, ⅓ of the world's population is infected with the tuberculosis bacterium, and tuberculosis is 1 of the greatest infectious causes of death of adults worldwide, killing 1,600,000 people per year.

''(35) Efforts to promote abstinence, fidelity, the correct and consistent use of condoms, the delay of sexual debut, and the reduction of concurrent sexual partners represent important elements of strategies to prevent the transmission of HIV/AIDS.

''(36) According to UNAIDS—

''(A) women and girls make up nearly 60 percent of persons in sub-Saharan Africa who are HIV positive;

''(B) women and girls are more biologically, economically, and socially vulnerable to HIV infection; and

''(C) gender issues are critical components in the effort to prevent HIV/AIDS and to care for those affected by the disease.

''(37) Children who have lost a parent to HIV/AIDS, who are otherwise directly affected by the disease, or who live in areas of high HIV prevalence may be vulnerable to the disease or its socioeconomic effects.

''(38) Lack of health capacity, including insufficient personnel and inadequate infrastructure, in sub-Saharan Africa and other regions of the world is a critical barrier that limits the effectiveness of efforts to combat HIV/AIDS, tuberculosis, and malaria, and to achieve other global health goals.

''(39) On March 30, 2007, the Institute of Medicine of the National Academies released a report entitled 'PEPFAR Implementation: Progress and Promise', which found that budget allocations setting percentage levels for spending on prevention, care, and treatment and for certain subsets of activities within the prevention category—

''(A) have 'adversely affected implementation of the U.S. Global AIDS Initiative';

''(B) have inhibited comprehensive, integrated, evidence based approaches;

''(C) 'have been counterproductive';

''(D) 'may have been helpful initially in ensuring a balance of attention to activities within the 4 categories of prevention, treatment, care, and orphans and vulnerable children';

''(E) 'have also limited PEPFAR's ability to tailor its activities in each country to the local epidemic and to coordinate with the level of activities in the countries' national plans'; and