

In short, the issue is simply not the executives at AIG. There is enough blame to go around, and we all have a part to play in changing the culture of our Nation.

Regardless of what happens in the short term, long-term economic and moral strength of our Nation depends on renewing one of our greatest American virtues, personal responsibility.

A BUDGET THAT SPENDS TOO MUCH, TAXES TOO MUCH, AND BORROWS TOO MUCH

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

Mr. BROUN of Georgia. Mr. Speaker, I rise today because the American people are witnessing one of the greatest magic tricks of all time. The 2010 budget proposed by this administration and currently under consideration by this legislative body is worthy of being mentioned with the greatest illusions created by Houdini himself.

This budget proposal is on one hand being held out as addressing the challenges of our Nation while taking steps to reduce the deficit. This one hand being shown to the American people reveals the ideas of reducing entitlement spending, partially fixing the AMT, and creating an emergency reserve fund. And while the magician waves his hand and distracts the American people, the other hand is out of public view, and this is where the trick is being played. This other hand contains the real instruments of this budget: More Federal spending on more Federal programs; more taxes on all American families and small businesses; and a Federal deficit higher than in the past 4 years combined.

Simply put, Mr. Speaker, the end result of this magic trick is a budget that spends too much, taxes too much, and borrows too much. This budget proposal increases spending to \$3.9 trillion, nearly one-third of the gross domestic product, a rate not seen in this country since World War II.

To put this into perspective, under this budget nearly \$1 out of \$3 in the entire American economy will be a result of Federal government spending. And what does this huge increase in government spending go towards?

Approximately \$1 trillion will be spent on an increase in entitlement spending over the next decade. More than \$600 billion will be spent on government-run health care, socialized medicine. And, more than \$1.1 trillion will be spent on more discretionary spending, that is, optional spending, with several government agencies receiving budget increases of more than 30 percent.

Now, where does this great magician get the money to pay for all this increased government spending and programs? By picking the pockets of the American public.

Here, again, the great illusionist holds out one hand and claims they

will only increase taxes on the rich while giving tax cuts to the other 95 percent of all of us American taxpayers. However, once again, the other hand is hidden away, and this is where the trick happens. The real result of the tax trick in this budget is more taxes on America's small businesses.

Mr. Speaker, I ask you, in these tough economic times, with rising unemployment, is a tax increase on small businesses, the engine that drives our economy, really the best course to take? How about resurrecting the death tax, which this budget does. Is that an appropriate course of action? I think not. I ask, what does an increase in capital gains taxes while cutting the tax deduction for the interest paid on mortgages do to stimulate our economy?

And I am sure that the 95 percent of Americans who are expecting a promised tax cut will find that money useful when it comes time to pay their share of the new \$646 billion cap-and-trade—so-called cap-and-trade, I call it cap-and-tax—energy tax that will result in higher costs on electricity, natural gas, home heating, gasoline, and all goods and services in America.

Just looking at my home State alone, with this new energy tax Georgians will see their disposable income reduced by \$941; and the State is projected to lose up to 62,000 jobs by 2020. Even Houdini can't hide these numbers.

Now, Mr. Speaker, just when the American people think they have seen the finale of this magic trick, they are then surprised with an ending twist. This is a magic twist that will be played for their children and grandchildren.

By their own estimates, the current deficit would decrease by half if this administration did nothing and we kept spending constant. We cannot continue this magic trick. We must stop this irresponsible budget that is being proposed by the administration.

OUR CURRENT ECONOMIC CRISIS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

Ms. KAPTUR. I thank the Speaker very much for that, and wish to say that I recently entered into the CONGRESSIONAL RECORD an account of some of the key legislative history and executive actions that have led our Nation into our current economic crisis, a meltdown of people's accumulated savings, a loss of value in their homes and pensions, a 26-year high in unemployment, and major damage to our financial institutions and their ability to lend.

One of the individuals I talked about was the woman who headed the Commodity Futures Trading Commission back in 1998, in the late 1990s, and her name was Brooksley Born. She was an esteemed attorney, and she knew the

field of regulation well. She said we had to regulate derivatives and, if we didn't, we would get in trouble. She was prescient and she was right.

Three of the men that ultimately caused her resignation were pictured on the front of Time Magazine about a year later: Alan Greenspan who then headed the Federal Reserve, Robert Rubin who chaired Citigroup, and Larry Summers who was then Secretary of Treasury.

You know, it is good to remember history so you are not doomed to repeat it. The unemployment figures just announced nationally and for my home State of Ohio reveal the grim situation: The State unemployment rate is marching toward double digits, the city of Toledo is facing a massive deficit that grows with each passing day, and around our district families, businesses, and local governments are struggling to make ends meet.

Let me offer a seven-step restoration program to put our economy back on track.

First of all, we ought to bring the "too big to fail" institutions back under control for the sake of the American people. They should never have been allowed to get so big that the failure of a Citigroup that this man used to head or an AIG insurance company, which is much more than an insurance company, or Lehman Brothers could threaten the entire global financial system. These raging beasts have got to be brought back under control; and, last week Federal Reserve Chairman Bernanke said, "The 'too big to fail' issue has emerged as an enormous problem both for policymakers and financial institutions generally." He is right. Job number one should be bringing the big institutions back under control and, in my opinion, breaking them up.

Number two, we should restore the goal of financial security; that is, people should have more equity and less debt, and it needs to be restored at all levels, from our kitchen tables to the government of the United States. Read chapters 8 and 9 of Kevin Phillips' book, *American Theocracy*. Treat yourself to a real understanding of how we have gotten ourselves into the situation we face today. Form a book club. Think about it.

Number three, we need to restore our national ethic that values savings over debt both in our households and in our government. Our government should set a national standard for prudent and responsible financial behavior for our citizenry and institutions. The fact that JP Morgan could take a dollar of home equity and leverage it 100 times beyond the value of the underlying asset goes well beyond the realm of reason.

Number four, we need to restore the word "banking," "prudent banking" to our vocabulary, and excise the word "financial services." And we ought to start right here in the House of Representatives by renaming the committee of jurisdiction what it used to

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