The effect on the market can be extreme, according to Cox, who left office on Jan. 20. He warned about it in a July article posted on the commission's Web site.

TURBOCHARGED DISTORTION

When coupled with the propagation of rumors about the targeted company, selling shares without borrowing ''can allow manipulators to force prices down far lower than would be possible in legitimate short-selling conditions,'' he said in the article.

'''Naked' short selling can turbocharge these 'distort-and- short' schemes,'' Cox wrote.

''When traders spread false rumors and then take advantage of those rumors by short selling, there's no question that it's fraud,'' Pollack said in an interview. ''It doesn't matter whether the short sales are legal.''

On at least two occasions in 2008, fails-to-deliver for Lehman Brothers shares spiked just before speculation about the bank began circulating among traders, according to SEC data that Bloomberg analyzed.

On June 30, someone started a rumor that Barclays Plc was ready to buy Lehman for 25 percent less than the day's share price. The purchase didn't materialize.

'GREEN CHEESE'

On the previous trading day, June 27, the number of shares sold without delivery jumped to 705,103 from 30,690 on June 26, a 23–fold increase. The day of the rumor, the amount reached 814,870—more than four times the daily average for 2008 to that point. The stock slumped 11 percent and, by the close of trading, was down 70 percent for the calendar year.

''This rumor ranks up there with the moon is made of green cheese in terms of its validity,'' Richard Bove, who was then a Ladenburg Thalmann & Co. analyst, said in a July 1 report.

Bove, now vice president and equity research analyst with Rochdale Securities in Lutz, Florida, said in an interview this month that the speculation reflected ''an unrealistic view of Lehman's portfolio value.'' The company's assets had value, he said.

'OBSCENE' LEVERAGE

During the first six days following the Barclays hearsay, the level of failed trades averaged 1.4 million. Then, on July 10, came rumors that SAC Capital Advisors LLC, a Stamford, Connecticut-based hedge fund, and Pacific Investment Management Co. of Newport Beach, California, had stopped trading with Lehman Brothers.

Pimco and SAC denied the speculation. The bank's share price dropped 27 percent over July 10–11.

Banks and insurers wrote down $969.3 billion last year—and that gave legitimate traders plenty of reason to short their stocks, said William Fleckenstein, founder and president of Seattle-based Fleckenstein Capital, a short-only hedge fund. He closed the fund in December, saying he would open a new one that would buy equities too.

''Financial stocks imploded because of the drunkenness with which executives buying questionable securities levered-up in obscene fashion,'' said Fleckenstein, who said his firm has always borrowed stock before selling it short. ''Short sellers didn't do this. The banks were reckless and they held bad assets. That's the story.

'MARKET DISTRESS'

On May 21, David Einhorn, a hedge fund manager and chairman of New York-based Greenlight Capital Inc., announced he was shorting stock in Lehman Brothers and said he had ''good reason to question the bank's fair value calculations'' for its mortgage securities and other rarely traded assets.

Einhorn declined to comment for this story. Monica Everett, a spokeswoman who works for the Abernathy Macgregor Group, said Greenlight properly borrows shares before shorting them.

Even when they're legitimate, short sales can depress share values in times of market crisis—in effect turning the traders' negative bets into self-fulfilling prophecies, says Pollack, the former SEC enforcement chief who is now a securities litigator with Fulbright & Jaworski in Washington.

The SEC has been concerned about the issue since at least 1963, when Pollack and others at the commission wrote a study for Congress that recommended the ''temporary banning of short selling, in all stocks or in a particular stock'' during ''times of general market distress.''

AIRPORT RUNWAY

On Sept. 17, two days after Lehman Brothers filed for Chapter 11 bankruptcy, the number of failed trades climbed to 49.7 million, 23 percent of overall volume in the stock.

The next day, the SEC announced its ban on shorting financial companies in 2008. The number of protected stocks ultimately grew to about 1,000. On Sept. 19, the commission announced ''a sweeping expansion'' of its investigation into possible market manipulation.

The ban, which lasted through Oct. 17, didn't eliminate shorting, according to data from the SEC, the NYSE Arca exchange and Bloomberg. Throughout the period, short sales averaged 24.7 percent of the overall trading in Morgan Stanley, Merrill Lynch & Co. and Goldman Sachs Group Inc. on NYSE Arca. In 2008, short sales averaged 37.5 percent of the overall trading on the exchange in the three companies.

To date, the commission hasn't announced any findings of its investigation.

Pollack, the former SEC regulator, wonders why.

''This isn't a trail of breadcrumbs; this audit trail is lit up like an airport runway,'' he said. ''You can see it a mile off. Subpoena e-mails. Find out who spread false rumors and also shorted the stock and you've got your manipulators.''

Mr. KAUFMAN. The new SEC leadership has the opportunity to make the SEC a ''can do'' agency once more. The SEC is scheduled to meet on April 8 to discuss the uptick rule and abusive short selling. The Chair and commissioners should move quickly to adopt the uptick rule and a pre-borrow requirement.

If not, Congress should do its part and direct the SEC to do that quickly.

After yesterday's IG report and the Enforcement Division's response to it, I am even more convinced that SEC Chair Schapiro needs to grab the reins quickly at the SEC, and get back to standing up for investor interests to restore confidence in the markets. If the SEC won't do it, Congress should require them to do it.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. ALEXANDER. I thank the Chair.

(The remarks of Mr. ALEXANDER pertaining to the introduction of S. 659 are printed in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

The PRESIDING OFFICER. The Senator from Michigan is recognized.

Ms. STABENOW. Mr. President, before the Senator from Tennessee leaves, I wish to say how much I enjoyed his comments, and I think no matter which side of the aisle we are on, we get up in the morning wanting to try to make a difference. So I appreciate his sentiments and I appreciate his comments very much, as it relates to what we hope we will all instill in our students and teachers and those who love our country. I appreciate his comments.

AMERICAN AUTOMOBILE INDUSTRY

Ms. STABENOW. Mr. President, I wish to speak a little bit today about a subject near and dear to my heart, and that is our American auto industry.

Before the global credit crisis happened, our American auto industry was undertaking ambitious restructuring plans. I know there are those who haven't been aware of that up until now but in fact it is true.

For the past decade, our American auto industry has been moving toward improved fuel efficiency, improved quality, and advanced technologies. I am very proud of what the men and women in our country do in terms of building our American automobiles. This was clearly shown as the auto industry laid out the plans before Congress last December. The companies and the workers have been making tremendous sacrifices even before they were asked to do so, to level the playing field with foreign competitors. The idea of cutting, restructuring, layoffs, plant closings are not new. They are, unfortunately, a way of life at the moment in Michigan and other manufacturing States where there have had to be major sacrifices, particularly for workers and their families.

By the end of the current 2005 and 2007 contracts for workers, the labor cost gap between domestic and foreign automakers would have been largely eliminated. They also eliminated 50 percent of the companies' liability for retiree health benefits, and that is before any of the current debate. It was also before the global credit crunch happened. The global credit crunch has hit everybody—every business, large and small, every consumer, every family, every homeowner.

Certainly our auto industry has seen the brunt of the inability to get capital, the inability of people to get a car loan, our auto dealers and the challenges they have had, our auto suppliers, as well as the OEMs.

The failure of our auto industry, if we allow them to go down because of a global credit crisis, would mean a loss of over 400,000 supplier jobs and over 450,000 jobs in the service sector, national deficits, and reductions in personal income. It would be a huge catastrophe if we were to allow the global credit crisis to create a situation in which we would no longer have an American auto industry.

It is important for us to understand that this crisis has similarly affected the foreign automakers, forcing them to request help from China, Canada, Japan, Spain, Great Britain, Brazil, as well as numerous other countries.

We find ourselves in a situation where this credit crisis has profoundly affected the backbone of manufacturing in the United States. We have seen firsthand in Michigan the challenges that GM, Ford, and Chrysler have faced. We now have a White House auto task force that has been set up to work with General Motors and Chrysler, which have asked for assistance from us in this global credit crisis.

Today we had a very important announcement to help the industry as a whole. I thank the White House auto task force for understanding that along with our automakers, it is critically important that our suppliers be able to pay their bills, supply the parts, and continue to be a very important part of this industry as a whole.

I very much appreciate the fact that a very positive action was taken today by the auto task force to help make capital available during this credit crisis for our tier 1 suppliers.

Our American auto industry represents about 4 percent of our gross national product and 10 percent of our industrial production value. Our auto industry provides health care and pensions to over a million retirees and their families who live all over the country, by the way, not just in Michigan, although we certainly would welcome them back. But they live all over the country.

Auto parts suppliers provide hundreds of thousands of jobs. They are the leading U.S. manufacturing employer. That, again, is why the decision that was made today to make capital available for our auto suppliers is so important.

In turn, those direct jobs contribute to 4.5 million—4.5 million—private industry jobs across the country. That is an additional 5.7 jobs for every single direct supplier job. We are talking in general about an industry that touches every State—not just Michigan, not just Ohio, not just Indiana, but every single State.

The domestic auto industry comprises more than 10 percent of the high yield bond market and is one of the largest sectors in leverage finance for the banks. They spend over $12 billion a year on research and development. Without this funding, our country would become dependent on foreign ideas and foreign technology that would threaten our role not only in innovation and in the global economy but in our national defense as well.

I come today to say that failure is not an option when it comes to the viability and support for our American auto industry. Right now, if one or more of the American auto companies is allowed to fail, then we can expect as many as 3.3 million lost jobs in the next year. When we think about what we are doing in the stimulus package, in the recovery package, and we think about 3.3 million jobs that would be lost in the auto industry alone, it is stunning.

Think about the recovery plan and the fact we are talking about creating or saving 3.5 million jobs—3.5 million jobs lost if one of the companies went down. This is a big deal. This is a huge issue for us. That is why I have fought so hard, along with Senator LEVIN and other colleagues, to make sure we are doing everything possible to create a level playing field for the American auto industry so we can maintain these jobs and the strong role—the vital role—they play in this economy.

It is not only about workers—direct workers or indirect workers. The fallout, if we were to see a company fail, would hit thousands of businesses that depend on the auto industry, from parts suppliers to dealers to service industries, body shops, consultants, advertisers, janitorial services—all kinds of other jobs, not counting the restaurant across the street from the plant. When the plant closes, the restaurant goes or the shoe store down the street goes. The drugstore goes. These are basic jobs, huge parts of the economy of thousands and thousands of communities across this country.

Also, let me be clear that the foreign automakers would be hurt as well because manufacturers share so many suppliers. Without the business from Detroit, those suppliers would fail. Many dealers own U.S. and non-U.S. dealerships, and they would not be able to keep operating without the American brands in the mix. That is why I am very pleased that the leadership of Toyota met with the auto task force to urge them to support the American auto industry through this global credit crisis because they know better than anyone that they share the same suppliers.

Again, that is why the decision today by the auto task force is so important, to support tier 1 suppliers because this supports the automakers, foreign and domestic, all over America. This is very important. It would have catastrophic effects on several States already suffering from some of the Nation's highest unemployment rates if, in fact, we would see one or more of these companies go down.

Let me show some of the numbers when we talk about what happens in terms of unemployment and the devastation across the country—people are out of work right now—and what would happen if our American automakers were not supported so they can continue. We would see a shutdown that would increase unemployment levels to over 10 percent in Indiana, Ohio, Rhode Island, Kentucky, South Carolina, Tennessee, California, Oregon, North Carolina, Mississippi, Nevada, Alabama, Missouri, Illinois, and Georgia.

My home State of Michigan already suffers from 11.6 percent unemployment. I understand how painful that is for communities. Rhode Island could lose over 9,000 jobs if we were to see one of our American automakers go under—9,000 jobs. Kentucky could lose 75,000 jobs and go to 11.9 percent unemployment. South Carolina could lose over 58,000 jobs and go to an unemployment rate of 11.9 percent.

To continue, Tennessee could lose over 106,000 jobs as a result of one of our three domestic automakers going under, which would bring their unemployment rate to 11.8 percent. California could lose over 300,000 jobs.

My point, whether it is Tennessee, California, Oregon, North Carolina, Mississippi, or other States is clearly what happens in Detroit does not stay in Detroit. That is the point. What happens in Detroit affects automakers and Americans all over the country, families who depend on a paycheck from a direct job in the auto industry or a supplier or some other small business. Others would be forced in a recession to find work that is not there. People are barely making it as it is.

My message overall, again, is that what happens in Detroit doesn't stay in Detroit. It goes all over the country. That is why the work of the White House auto task force is so important and why I appreciate so much their willingness to delve deeply into these issues and look at the facts—not the rhetoric but the facts—and determine what is best for the taxpayers, for American families, and for the economy. We owe it to American families. We owe it to the people of Michigan as well.

Part of what they are looking at is the fact that the failure of the American auto industry would put a disastrous burden on top of job loss, a disastrous burden on the Pension Benefit Guaranty Corporation that already faces massive shortfalls, a burden that could trigger tens of billions of dollars in additional pension obligations.

The reality is, those who say let GM go bankrupt, let Chrysler go bankrupt, the obligation to the American taxpayer from pensions alone would far exceed the relatively small request, certainly compared to AIG or Citigroup or any of the other Wall Street requests, a small request, relatively speaking, to keep over 3.5 million people working in this country in good-paying jobs.

It would have a debilitating ramification for our industrial base which would undermine our military challenges, which I mentioned before. I was at a terrific business on Monday that makes equipment for large trucks, our big long-haul trucks, a great American business called ArvinMeritor. When we look at what they make for those big trucks, the same kinds of brakes, the same kinds of axles, the battery they are developing for a hybrid truck, our largest trucks—all of those are technologies that either are used or will be used by the military, trucks that are being driven in Iraq, military vehicles around the world.

If we lose an American capability to manufacture vehicles, we affect the Department of Defense and we affect every single man and woman who is serving us today in protecting our country by saying to them: We are going to now rely on foreign companies for our vehicles for the trucks they drive, the cars they drive, the tanks they drive. That doesn't make any sense at all.

We all have a stake in what happens in Detroit. We all have a stake in what happens to our American manufacturers and our American auto industry. We need a 21st century manufacturing strategy that is focused on American manufacturing, advanced manufacturing, as well as national security and energy security. Our automakers are an important part of that, but so are our other suppliers, our other manufacturers.

One of the things I so appreciate about President Obama's vision is that he understands we need to manufacture in this country. The budget he has given us focuses on our ability to create jobs through manufacturing, through manufacturing in the new energy economy, and in the traditional areas of manufacturing. In America, we need a revitalized advanced manufacturing base. That will be a major part of our economic recovery as a country.

Again, none of us can afford for our American automakers to fail. There is not a State represented here that can afford for that to happen. Failure would mean loss of jobs, a loss of capacity for our national defense, and the ability for us to build on an energy independence for the future.

Again, what happens in Detroit doesn't stay in Detroit. It affects every State, every American, and I very much appreciate the commitment of the White House auto task force and President Obama to work with us for a vital and vibrant auto industry for the future.

Mr. President, I yield the floor.

REHABILITATION INSTITUTE OF CHICAGO

Mr. DURBIN. Mr. Presdient, researchers at the Rehabilitation Institute of Chicago pursue scientific discoveries that blend the most advanced medicine with technology to create ability where it has been lost.

Their most recent innovation replaces a lost limb with a robotic one, which is controlled just as their lost arm was controlled—by thoughts and commands transmitted by the brain.

It has captured the world's attention. Their research was published recently in the Journal of the American Medical Association and highlighted by the New York Times. It gives us a taste of what might be possible as doctors, scientists, and engineers continue to learn more about the human body's nervous system.

It also provides new hope for all Americans who have an amputated arm or leg, including the hundreds of Iraq and Afghanistan veterans who have lost a limb through their service to our country.

You almost need to be a biomedical engineer to even pronounce the name of the technique developed at the Rehabilitation Institute of Chicago: pattern-recognition control with targeted reinnervation.

But it is easy to understand the procedure's importance to people around the world who have lost a limb.

When a person loses a limb, their brain does not know that the limb is gone. The brain continues to send signals through the nervous system, as if that lost arm or leg still existed. So, when a person who has lost an arm thinks about closing her hand or pointing a finger, her brain continues to send signals intended for the missing limb.

Dr. Todd Kuiken, a biomedical engineer and physician at the Rehabilitation Institute of Chicago, has found a way to harness these signals. His technology allows a patient to operate her prosthetic arm by thinking of the movement, as if her natural arm still existed.

First, Dr. Kuiken takes the good nerves that remain in the shoulder after the loss of an arm. Through surgery, these nerves are redirected and implanted into a patient's healthy remaining muscles in the chest.

When the patient thinks about closing her hand, the brain sends a signal through those redirected nerves into the reinnervated muscle, instead of in the direction of the missing arm.

The next step is to interpret those signals. It is not an easy task. Our hands alone can perform hundreds of movements, from the slightest finger wiggle to the clenching of a fist. Each movement is the result of a different pattern of signals from the brain. The challenge becomes deciphering which pattern means ''close the hand''? Which pattern means ''turn the wrist''?

Working to unlock the code, Dr. Kuiken and his colleagues now know which pattern is intended to produce a particular arm or hand movement. They place tiny antennas on the patient's chest to detect the patterns. The antennas convert the patterns into digital signals and send those signals to an advanced artificial arm worn by the patient. The signals tell the arm how to move.

The results of Dr. Kuiken's research have been promising. Amanda Kitts was one of the first patients to be fitted with one of the new prosthetics developed by the Defense Department's advanced research program, DARPA.

Amanda owns three daycare centers in Tennessee. She started working with the Rehabilitation Institute in 2006 and spent the following years traveling between Chicago and her home in Knoxville.

Amanda lost one of her arms in an automobile accident. The years she received therapy were difficult for her. She credits the therapists at the Rehabilitation Institute for giving her the strength to realize that her injury didn't have to change her outlook on life.

Amanda thought she would never be able to hug children again, including her son. But because of her new arm, she can.

She says of her new arm: ''It was wonderful . . . It made me feel more human because I could work it almost like a regular arm. I just had to think and it responded. My new arm made me feel like I could do anything again.''

Dr. Kuiken and the Rehabilitation Institute of Chicago have been working for several years to transfer this technology for the benefit of our wounded servicemembers. Through this collaboration, 10 wounded warriors have received this remarkable surgery at the Brooke Army and Walter Reed Medical Centers and are having their new prostheses fit at these state-of-the-art medical facilities.

Dr. Kuiken and the other researchers on this project deserve our thanks for their efforts, as does the Rehabilitation Institute of Chicago. Every year since 1991, U.S. News and World Report has identified the facility as the best rehabilitation hospital in the United States.

The Rehabilitation Institute is led by the indefatigable Dr. Joanne Smith, who did some of her training and subsequently consulted on patients at the VA. In addition to having expertise in prosthetics, the hospital is a leader in the treatment of traumatic brain injuries, the signature injury of the wars in Iraq and Afghanistan. Dr. Smith has worked to make her hospital's expertise and rehabilitation services available to the VA and the military services.

More work remains to be done to develop the targeted reinnervation technique. The researchers at the Rehabilitation Institute tell me that the sensation nerves to and from a hand—which relay touch sensations from hot to cold and sharp to dull—can also be harnessed. Doctors are working to put sensors into a robotic limb that has the ability to pick up these sensations.

If successful, the technique would allow patients to feel what they touch, as if they were touching it with their missing hand.

Such technology will help someone like Amanda Kitts regain her ability to sense touch from—feeling the texture of an object to knowing how hard she is squeezing her son's hand. The advance in sensing touch would help her reconnect to her world.

I am proud to have supported a $2 million request in the fiscal year 2009 Defense appropriations legislation to help advance Dr. Kuiken's research in Chicago. Those men and women in uniform who have lost a limb in service to our country deserve the best technology we have to help them regain their full abilities.

PATH TO BIPARTISAN AGREEMENT

Mr. GREGG. Mr. President, the spiraling cost of health care represents a