

Countries that want to do business in Africa, or anywhere for that matter, must be held accountable for their behavior. One of the things I have observed in Africa, no matter what country you go into—if it is an oil-rich country—anything that is new and shiny, whether it is a bridge, whether it is a colosseum, a sports arena, it is always built by China. So they have the inside track, and it is going to be up to us to join together to stop that type of mutilation of the population in countries such as northern Uganda and the Sudan.

So I urge the adoption of this resolution today and hope it will become a reality so we have a new position for the United States of America to save little girls like this one in countries that are involved in genocide.

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

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

The bill clerk proceeded to call the roll.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. DORGAN. 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 President, I ask unanimous consent that the order for the quorum call be rescinded.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. DORGAN. I ask unanimous consent to speak as in morning business for 20 minutes.

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

#### THE ECONOMY

Mr. DORGAN. Mr. President, today the stock market is down over 400 points. Yesterday it was pretty mixed. The day before it was down over 500 points. It is pretty clear that, judging by what is happening on Wall Street and judging what is happening to the economy—the news this morning on the front page of the paper: Loan guarantee offered to one of the largest insurance companies of America; the bankruptcy of an institution, Lehman Brothers, which has been around since the late 1800s; it survived the Civil War and the Great Depression—all these together demonstrate a very serious problem for this country's economy. This economy is in some peril, and I think we should not underestimate the difficulties that face it.

Our Treasury Secretary and the head of the Federal Reserve Board are taking midnight action, working 24 hours a day, apparently, convening meetings here and there, but they share something in common with us. None of us have ever been here before. No one quite understands where we are and what we do to deal with this very serious economic challenge to our country.

This is a great country. It is the only country like it on this planet. It has a very strong economy and has had for a long while. It has lifted a lot of people out of poverty and dramatically expanded the middle class. It has pro-

vided opportunity over the last century that has been almost unparalleled. Yet we now face some very difficult times, and it requires all of us to think together and work together to put together some plans to deal with this issue and this challenge. However, you cannot fix a problem you have not diagnosed.

I wish to talk a little about what got us here and a bit about what I think we ought to do about it. Two things: a subprime mortgage scandal decimated part of the foundation of this country's economy. I wish to talk about what it means. It sounds like a foreign language: Subprime loan scandal. Then, at the same time this economy was weakening because of an unbelievable subprime loan scandal, the price of oil was going up like a Roman candle, up to \$147 a barrel. It has come down some now; back up I think \$4 or \$5 a barrel today. But that had a huge impact on this economy as well. In some ways, these problems have the same roots: Unbridled speculation, regulators who didn't regulate, those who were supposed to regulate were willing to be willfully blind.

Let me talk about these things for a moment. Let me talk first about the situation with the price of oil. I held a hearing yesterday for almost 3 hours on the subject of speculation that I believe drove the price of oil to \$147 a barrel. At a time when our economy was reeling from the subprime scandal, running oil up to \$147 a barrel was a huge burden and had a huge impact in weakening this economy. I am somebody who believes it was speculation that drove this up, right under the nose of regulators who didn't care about regulating.

Let me tell my colleagues what happened yesterday. We have had all kinds of testimony about this. One of the witnesses who was at the Energy Committee yesterday was from J.P. Morgan, a venerable investment bank in this country, and Lawrence Eagles delivered testimony yesterday from J.P. Morgan. He is the head of commodity research, and here is what Mr. Eagles said:

We believe that high energy prices are fundamentally the result of supply and demand. We fundamentally believe that high energy prices are a result of supply and demand, not excessive speculation.

This from a man from the J.P. Morgan company, the global head of commodity research. But an e-mail we obtained today that was sent late last evening to the clients of J.P. Morgan by a Michael Zimbalist, who is the global chief investment officer for J.P. Morgan—the same company—said this—what we have been saying:

There was an enormous amount of speculation pent up in energy markets; example, an eight-fold increase in bank OTC oil derivatives exposure in the last three years and it wasn't just the supply-demand equation. Oil will rise again and we need solutions to energy supplies, but \$140 in July 2008 was ridiculous.

Let me say that again. An executive with J.P. Morgan testified yesterday

before our committee and said: We believe high energy prices are the result of supply and demand, not excessive speculation.

Last evening, an e-mail was sent from J.P. Morgan by their global chief investment officer and it says what we have been saying: There was an enormous amount of speculation pent up in energy markets.

I am trying to understand—and this is not to focus just on this company—J.P. Morgan. They testified they were an investment bank. We have had meetings with a lot of interest about this subject of excess speculation. I am trying to understand whether we are getting the straight story from people. What was the straight story here, the man they sent to testify or one of the top folks in J.P. Morgan who sent an e-mail to clients last evening? They directly contradict each other.

We have a whole lot of folks who are making a living these days saying: Well, the price of oil went to \$147 a barrel because of supply and demand, and I say to them: It doubled in a year. From July to July, the price of oil doubled. I defy anyone to tell me what happened to supply and demand in that year that justified the doubling of the price of oil. There isn't anyone in this Chamber and there is no one who has testified before my committees who can make that case. Why? Because the case is not valid. It isn't valid.

I have sent a letter to Mr. Jamie Dimon, the chief executive officer of J.P. Morgan, asking him to reconcile this. The company was willing to testify and they were one of the witnesses yesterday. I invited witnesses who had made the case that speculation was a significant part of this problem, of the runup of oil; others had invited those who believed that speculation was not. This testimony from J.P. Morgan was part of testimony invited by those who believe there is not a speculative component. But we have a right as a committee, it seems to me, to understand how does this happen. The company sends a representative to tell us there is no speculation and then sends an e-mail to clients the same day and says speculation is a significant part.

The reason I mention this is oil is a part of what is happening in this country today with our economy. The runup in the price of oil significantly weakened this economy. I am expecting a response from J.P. Morgan to try to tell me why the contradiction. Who is talking straight here? When do we get straight answers? If we are going to fix what is wrong, we have to know what happened and what caused it.

Now, I mentioned the subprime loan scandal. The subprime loan scandal. I described what I thought was going to happen 9 years ago on the floor of the Senate. We had a bill that came to us from Senator Gramm called Gramm-Leach-Bliley. Senator Gramm spent a career here trying to get rid of all regulation: Deregulate. Deregulate, he claimed. Financial modernization, he

called it. The Financial Modernization Act. That was a fancy way of saying: Let's take apart the protections that existed after the banks failed in the 1930s and the Great Depression, let's take apart the protections we put in place to make sure it didn't happen again. We put in place the Glass-Steagall Act that said you have to keep separate banks and real estate and securities. Why? Because real estate and securities can be very speculative, and banks need to stay away from speculation. It needs to not only be safe and sound, it needs people to think they are safe and sound.

So what was put in place in the 1930s—the Glass-Steagall Act and other provisions to separate inherently risky enterprises from banking—worked for a long time. Then to the floor of the Senate comes the Financial Modernization Act in 1999. I voted against it. Let me read what I said on the floor on May 6, 1999, on the floor of the Senate:

This bill will also, in my judgment, raise the likelihood of future massive taxpayer bailouts. It will fuel the consolidation and mergers in the banking and financial industry at the expense of customers, farm businesses, family farmers, and others. In some instances I think it inappropriately limits the ability of the banking and thrift regulators from monitoring activities between such institutions and their insurance or securities subsidiaries, raising significant safety and soundness consumer protection concerns.

Let me say that again: This bill will also, in my judgment, raise the likelihood of future massive taxpayer bailouts.

No, I am not a soothsayer. I didn't have a crystal ball. But I knew if you don't have good regulation and you are going to create the homogenization of big financial industries and put banking and everything together, even if you claim you are going to build firewalls, I knew exactly what was going to happen.

On November 4, 1999, on the conference report—I was one of eight Senators to vote against it—I said:

Fusing together the idea of banking—which requires not just the safety and soundness to be successful but the perception of safety and soundness—with other inherently risky speculative activities is, in my judgment, unwise.

Then I said:

We will, in 10 years' time, look back and say we should not have done that because we forgot the lessons of the past.

Those are my statements from 1999. It is now 9 years later, not 10. What we see are massive bailouts, massive taxpayer bailouts, and the lessons we apparently forgot. I voted against all of that. The fact is they sold it. They sold it like medicine from the back of a wagon in the old West, snake oil, solve everything. Allow all these big institutions to get married; fall in love, get married and become bigger and do a little of everything. That way you get one-stop shopping. Go ahead and buy

your securities, buy your insurance, buy your real estate, and then make a deposit, if you will, and maybe get a check book if you want to still write some checks if you don't want to do it electronically; just one-stop shopping at all of your financial institutions and there will be no problem.

Guess what happened. In 2001, we had regulators come to town, hired by a new President, who said: You know what. It is a new day. Regulation is a four-letter word and we think four-letter words are dirty and we don't intend to regulate. Yes, we are going to get paid. We are going to run these regulatory agencies, but we don't intend to do anything. We intend to take an 8-year sleep, and they did. They dozed off immediately and they have not yet awakened.

We had a regulator at one of the very important agencies say: In fact, there is a new sheriff in town and this is a new business-friendly environment. We now see what that means. Willful blindness by people we paid to regulate, who came to town hostile to the basic notion of regulation.

Now, they saw what I saw. I have a tiny little television set, and so in the morning when I shave and brush my teeth, I have that television set on and I hear the advertisements on television. Countrywide, the biggest mortgage bank in America, here is what they said:

Do you have less than perfect credit? Do you have late mortgage payments? Have you been denied by other lenders? Call us.

What they were saying, essentially, is: Hey, are you a bad risk? Give us a call if you want a mortgage. Do you need a loan? This is the biggest mortgage bank in the country saying: If you can't pay your bills, for gosh sakes, call us. We want to give you a loan.

It wasn't just Countrywide. Here is a company called Millennium Mortgage and here is what they said. This was seductive. They said: Twelve months, no mortgage payment. That is right. We will give you the money to make your first 12 payments if you call in 7 days. We pay it for you. Our loan program may reduce your current monthly payment by as much as 50 percent and allow you no payments for the first 12 months. That is a pretty good deal. We will make your first 12 months payments. Of course, they will put that on the back of the loan and it will incur interest and you will end up paying a lot more.

This is Zoom Credit. You all saw these advertisements:

Credit approval is just seconds away. Get on the fast track at Zoom Credit. At the speed of light, Zoom Credit will preapprove you for a car loan, a home loan, or a credit card.

It says:

If your credit is in the tank, Zoom Credit is like money in the bank.

Zoom Credit specializes in credit repair and debt consolidation, too. Bankruptcy, slow credit, no credit—who cares.

These were the advertisements being run on television and on the radio

across the country by the shysters trying to place bad mortgages out there that people could not make payments on, and then they run the paper up through securities, hedge funds, and investment banks, run them all over the world. Then it goes sour and people cannot make payments, and you have all these bad loans out there and things collapse. It is called the subprime loan scandal, and here is the origin: companies that said: If you have bad credit or you cannot make your payments, come to us, we will give you a loan.

So you start with the first baby step of bad business practices—because everybody was making money. The folks who were selling the loans, cold-calling people, were making big bonuses; and the mortgage banks, such as Zoom and Countrywide—the biggest—were making lots of money slicing these mortgages, the subprime mortgages, up into securities, securitizing them all.

By the way, they also said this: If you have bad credit and cannot make your payments and have been bankrupt, you know something, we also have no-doc loans. That means you don't ever have to document your income. They said: We will give you a loan, and you don't have to make the first 12 months of payments—we will make them for you—and you don't have to document your income. You could do that if you have been bankrupt and have been unable to pay your bills. Isn't that unbelievable? Guess what. They were all over the country like hogs in a corn crib snorting and making money, hauling it to the bank, saying: We are making big money by putting out bad paper.

Then what happens? All of a sudden, these mortgages, which in most cases had a 3-year reset of interest rates and were offered with teaser rates—sometimes 1 percent or 1.25 percent—these mortgages, 3 years later, had the interest rates reset, and they were now paying 10 percent. And then deep in the mortgage was the provision of a prepayment penalty so that you could not prepay the mortgage even though you were now stuck at 10 percent and could not pay the bill. These companies and the brokers said that it didn't matter; just line this up, and between now and 3 years, you can flip the property; the housing bubble is going up and you are going to make money anyway. And then the whole thing collapses.

So hedge funds are making money hand over fist, and investment banks are buying securities that are loaded, like sausage packed with sawdust, with good mortgages and bad mortgages, and things go sour, and all of a sudden, in these big, homogenized financial institutions, you have massive timebombs exploding inside their balance sheets. Then, guess what. We wake up and discover that Bear Stearns cannot make it and Lehman Brothers is going belly-up. They bail out Bear Stearns by allowing somebody else to buy them with \$30 billion from the Federal Reserve Board, securitized

by, in many cases, bad securities. This morning, the papers said \$85 billion. It is pretty unbelievable what is going on. It all starts here.

Now, did somebody see this? Did somebody watch television in the morning or read the newspaper or listen to the radio and hear the advertisements about the seductive new mortgages you could get and how the brokers and bankers and all these folks are making all this money? If the American people didn't see it, should the regulators have seen it? Weren't there people in this town whom we paid to regulate? How about Alan Greenspan, who is now treating us with a book and appearances on the Sunday shows and giving us a current diagnosis? Where was Mr. Greenspan when this was happening? What happened at the Fed that persuaded them not to interrupt essentially bad business that would injure the foundation of this country's economy, or the many other regulatory agencies where people at the head of them decided to be willfully blind and do nothing?

If ever there were a time for the people of this country to question whether the term "regulation" is a four-letter word, it is now. I believe the free market is a wonderful thing. I used to teach economics. I believe the free market is one of the best allocators of goods and services known to mankind. I also know it needs effective regulation—a regulator—because occasionally it becomes perverted. Occasionally, it is broken by certain interests.

As I said earlier, I wish I had been wrong when I said, on the floor of the Senate on May 16, 1999, in opposing the Financial Modernization Act, which took apart the basic protections we had and that we had learned were needed from the bank failures of the 1930s:

This bill will also, in my judgment, raise the likelihood of future massive taxpayer bailouts. It will fuel the consolidation and mergers in the banking and financial services industry at the expense of customers, farm businesses, family farmers, and others.

Fusing together the idea of banking . . . with other inherently risky speculative activity is, in my judgment, unwise.

That is what I said 9 years ago. I wish I had been wrong, but I was not.

We come now to this intersection with the American economy in peril. I know we have people at the Fed and at the Treasury Department working full time to try to put this back together. Again, I say you cannot fix something if you don't know what went wrong. It is why I describe two things today—one, the unbelievable bubble of speculation that moved oil to \$147 a barrel, which put an enormous burden on this country's economy at exactly the time when we could not afford it, as the economy was already suffering the unbelievable effects of the subprime loan scandal. Now we have seen an almost perfect economic storm.

One doesn't have to be an economist to understand what is happening now in this economy. But it seems to me

that all Americans are hoping all of us pull together to find ways to put this country back on track, insist that regulators finally begin to regulate on behalf of the interests of the American people—insist that Congress do what it needs to do, and there are a number of things we need to do to set this right.

It is not with joy that I come to the floor of the Senate describing the conditions that, in my judgment, have caused the most significant economic collapse we have seen in a long time. But we must face the truth, and the truth is that we have been through a very difficult period and we need our Government to behave in a way that stands up to protect the interests of all Americans, not just a few. I am going to have more to say tomorrow about this subject.

I ask unanimous consent to have printed in the RECORD a letter that I had referred to that I have written to the head of J.P. Morgan, as well as an attachment with that letter.

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

U.S. SENATE,

Washington, DC, September 17, 2008.

Mr. JAMIE DIMON,

Chief Executive Officer, Chairman of the Board, JPMorgan Chase & Co., Inc., New York, NY.

DEAR MR. DIMON: I am the Chairman of the Energy Subcommittee of the Senate Committee on Energy and Natural Resources. I convened a hearing of the Subcommittee yesterday, which focused on speculative investments in the energy futures markets. I am troubled that the testimony delivered by Lawrence Eagles, Global Head of Commodity Research for your company, appears to be contradicted by an internal JPMorgan email that my staff has obtained, dated the same day.

At the hearing, Mr. Eagles said, "we believe that high energy prices are fundamentally the result of supply and demand." Additionally, the written testimony which was submitted on behalf of JPMorgan by Blythe Masters said, "we fundamentally believe that high energy prices are a result of supply and demand, not excessive speculation."

But, an email we obtained that was sent late last night by Michael Cembalest, identified as JPMorgan's Global Chief Investment Officer, directly contradicts the testimony by Mr. Eagles and Ms. Masters. In his email (a copy of which is attached), Mr. Cembalest stated, in part: "what we've been saying: there was an enormous amount of speculation pent up in energy markets (e.g., an 8-fold increase in bank OTC oil derivative exposure in the last 3 years), and it wasn't just the supply-demand equation. Oil will rise again, and we need solutions to energy supplies, but \$140 in July 2008 was ridiculous."

It appears that JPMorgan is telling Congress and the public that the run up in oil prices is solely due to supply and demand, while at the very same time it is telling its clients that an "enormous amount of speculation" is running the prices up.

Please explain why JPMorgan testified before Congress that the high oil prices are only due to supply and demand when your experts clearly acknowledge privately that it was speculation, not market fundamentals, that sent oil prices skyrocketing. As you know, this is a matter of enormous public interest and concern. Americans across our country are hurting as run-away prices

have permeated our entire economy and devastated family budgets.

It is critical that we have honest and accurate information as we debate solutions to this energy crisis. As Chairman of the Subcommittee that held the hearing yesterday, I am requesting that you send me all documents in the possession, custody or control of JPMorgan Chase during the last 12 months relating or referring to the role of speculation on oil prices. Given that the Congress is currently debating and will be voting on these matters imminently, please provide these documents to us on a rolling basis beginning as soon as possible with all such documents provided by one week from today. Also, due to the limited amount of time available to us before voting will occur, please ensure that the most relevant documents are provided first.

I appreciate your willingness to do this promptly to ensure that the public and Congress receive full, accurate, honest and complete information from those who testify before it.

I appreciate your timely response. If you have any questions, please contact Dennis Kelleher, my Chief Counsel, or Ben Klein, my Legislative Director.

Sincerely,

BYRON L. DORGAN,  
U.S. Senator.

E-mail sent last night by the Global Chief investment Officer for all of J.P. Morgan (see bold section below).

EYE ON THE MARKET, SEPTEMBER 16, 2008,  
11-SOMETHING P.M.

Update: The U.S. government took another unprecedented step in this odd year and provided a bridge loan to AIG in exchange for 80% ownership in the company.

"SWF: Sovereign Wealth Fed". Say this for the U.S. Federal Reserve: they're reinforcing their historical independence from the legislative branch. On a day during which Senators McCain, Obama, Dodd and Shelby all came out publicly against a bailout of AIG, the Fed did it anyway. That's not entirely unprecedented; President Clinton tried to pass the 1994 Mexican Stabilization Act through Congress, couldn't, and then figured out a way to get the Exchange Stabilization Fund done without legislative approval. But what is unprecedented, at least for the Fed, is equity ownership. The United States now has its own Sovereign Wealth Fund, with Fannie Mae, Freddie Mac and AIG as its inaugural investments. Is this a backdoor alternative to privatizing social security?

First, a brief bit of background. AIG is an insurance company with roughly \$100 billion in capital and \$1 trillion in assets. They have an insurance operation that's been around for almost 100 years, and which has deep experience in life, property & casualty, personal, specialty and D&O insurance (indemnifications related to mistakes by directors and officers). AIG set up a capital markets subsidiary, AIGFP, which effectively provides re-insurance on \$440 billion in securities and other derivatives when you cut through all the industry jargon. AIG allowed this subsidiary to grow to be half the company's assets, a decision which in hindsight borders on the bizarre. Within this business unit, there are concentrated problems with a specific \$80 billion portfolio of multi-sector CDOs linked to residential mortgages. They've taken \$25 billion in losses so far on this exposure, with more expected by Moody's in Q3. While vintage years and terms/conditions differ, AIG's CDO exposure relative to shareholder equity was much larger than other big CDO holders such as UBS and Citigroup.

AIG's problem is that rating agency downgrades of AIGFP force collateral to be posted. Such a clause essentially transforms their exposure from an insurance policy that only requires payout when losses are realized, to a policy which requires payout depending on how markets price similar exposures. And right now, mortgage-backed derivatives are the leprosy of the financial markets, with prices arguably below fair value (a). However, for valuation and capitalization purposes, insurance regulators, accountants and rating agencies (no irony intended) are not interested in anyone's estimate of fair value right now. Instead, they're relying on the last marginal price that anyone happens to sell at, with the most desperate seller setting the price. If only property taxes worked that way; everyone would get tax certiorari relief based on the neighborhood's worst foreclosure sales.

I will leave it to others to describe the calamitous (or not) outcomes that the Fed decided to avoid. It would be speculation, although today's news of the oldest money market fund in the country (with \$60 billion at its peak) "breaking the buck" was possibly a small example (b). What the Fed gets in return for saving AIG: a 2-year loan at Libor plus 8.5%, plus an 80% ownership interest in the company. I know a lot of private equity and mezzanine funds that would love to have gotten a deal like that, but they didn't have enough capital. And that was the problem: AIG is so big that the numbers involved were too large for banks and other private sector entities to contemplate, particularly within 48 hours. AIG's former chairman stated that equity investors did not have to be wiped out, but there was only one entity left that was big and adroit enough to offer the terms and capital needed to forestall a possible bankruptcy (c), and it was the U.S. government. While I think the U.S. government made a good investment for taxpayers, the Pandora's box is going to be quite a challenge.

We're not going to rush out and buy equities on the view that the world's problems are over, or that the Fed will bail anything else out. The economic news, drowned out by corporate events over the last two weeks, is still pretty bad. This week's charts from our investment meeting (state tax receipts, small business optimism, the U.S. manpower employment survey, the Baltic Freight index, retail sales, Eurozone industrial production, hotel occupancy rates and just about everything related to growth or construction in China) all look the same: plummeting. There's also the minor issue that the Fed is running out of money for these bailout/investment exercises (d). But with the decline in commodity prices, inflation forecasts are tumbling, rendering stagflation risks much lower. While we're at it, the Peak Oil crowd promoting crude oil call options struck at \$200 should concede what we've been saying: there was an enormous amount of speculation pent up in energy markets (e.g., an 8-fold increase in bank OTC oil derivative exposure in the last 3 years), and it wasn't just the supply-demand equation. Oil will rise again, and we need solutions to energy supplies, but \$140 in July 2008 was ridiculous.

We are making some regional shifts in portfolios (from Europe to the U.S.) given a slower global economy, the prevalence of much higher levels of government and corporate debt in Europe, and more rapidly slowing European earnings estimates. We are also holding onto our cash balances, and are investing newly funded accounts slowly. But we are not, as we reiterated last week, positioning for Armageddon, which the Fed might have just averted with its actions this week.

Notes:

(a) AIG released a report on August 7 with their CDO stress-testing. The assumptions look conservative to me: 80%-90% of subprime loans expected to default, with 20%-30% recoveries upon foreclosure. Assumptions on prime loans were not much better: 60% expected to default, with recoveries of 65% upon foreclosure. AIG computed its fair value stress-testing loss on the CDO portfolio at around \$10 billion, compared to the \$25 billion in losses they've taken so far. This suggests that one of 3 things are true: (i) the non-transparent process through which AIG applied the stress-testing assumptions were too generous and underestimate the loss, (ii) secondary market prices driving the actual marks are too low, or (iii) the markets are right and the assumptions above are still not catastrophic enough. These outcomes are not mutually exclusive, but you could drive a truck through the difference between the stress-testing case and losses realized so far. Call me crazy but I think it's mostly (ii).

(b) That's what happens when a money market fund does not provide a dollar back for each dollar invested. A very rare occurrence which only happened once, in 1994.

(c) As far as we can tell, the Fed's investment does not constitute an "event of default" the way the GSE conservatorship did.

(d) For monetary policy geeks only: the AIG deal reduces the amount of unencumbered Treasury bonds held by the Fed under \$200 billion. From the March 12, 2008 Eye on the Market: "Something is nagging at me. Over the long run, I hope the Fed hasn't misjudged something. It's not that the Primary Dealer Credit Facility, is inflationary. For every dealer that comes to the Fed, the Fed sells assets to raise cash to lend, so their monetary targets are unchanged. But Fed assets are not unlimited: existing facilities already reduce some of the Fed's \$700 billion in assets. In the highly unlikely event that the Fed's assets were exhausted, they'd have to start the printing press. We need to hope they haven't prematurely pledged assets to dealers that are normally reserved to stabilize banks during a potentially painful economic downturn."

CDO = Collateralized Debt Obligation.

GSE = Government Sponsored Enterprise.

MICHAEL CEMBALEST,

Global Chief Investment Officer,

J.P. Morgan.

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The PRESIDING OFFICER (Ms. CANTWELL). The Senator from Iowa is recognized.

#### AMERICA'S SENIOR CITIZENS AND TAXES

Mr. GRASSLEY. Madam President, I come to the Senate today to talk about an important segment of our Nation's population, America's senior citizens.

Our senior population has seen a very rapid growth in the 20th century. As of the year 2000, there were about 35 million people who were 65 years of age or older. Compare this with 3.5 million people at the beginning of the 20th century. Today, about 37 million people are 65 years or older. This amounts to about 12, 13 percent of our total population.

In 2011, the first baby boomers turn 65. This will mark the beginning of an explosion in our senior population. By 2030, the senior population will be twice as large, growing from 35 million to 70 million.

You may ask why I am citing these numbers. My Senate colleagues may think I am setting the stage for a lengthy discussion about our entitlement programs—Social Security and Medicare. While the impending entitlement crisis does require my attention, along with the attention of every Member of Congress—and very soon—I wish to discuss another issue that is at the center of this year's political debate, and that is that mean word "taxes"—yes, taxes on our senior citizens. I wish to explain to my Senate colleagues and my friends in the media how seniors are taxed under current law. I also would like to talk about how the Republican and the Democratic Presidential candidates' tax plans will affect our senior citizens.

With a significant increase in our older population looming, those who are currently 65 and older—and those who will be turning 65 over the next 2 decades—should pay close attention to the tax changes that will be faced under a Republican administration and Senator MCCAIN or a Democratic administration and Senator OBAMA as President. People should not only be wary of campaign promises, they must also understand the flaws in the various tax proposals being offered the voters this election season. Change may result in higher taxes.