facing foreclosure, the Bankruptcy Court has the right to rewrite the terms of the mortgage so if it is possible, that person can stay in their home.

This is not a radical idea. It applies now to all second homes, vacation homes, farms, and ranches—just not your primary residence, for no good reason. It should apply. If we put this provision in the law, trust me, those institutions that are issuing the mortgages are going to be much more open to renegotiating the terms and making them more reasonable. Unless we put it in, they will continue to say let that homeowner lose their home. That is an outcome that doesn't help anyone.

I hope we can see a balanced package come through when this is all over. I hope we can see some equity and fairness for the taxpayers in this country. Lord knows, they have paid enough. To ask them to pay another $2,300 deeper into our national debt is unreasonable if we don't have safeguards to stop excessive executive compensation, to give the taxpayers the upside of these businesses, if they do get well; to make sure that we police against conflicts of interest and wasting of taxpayer dollars and, finally, make sure we do something about the homeowners who are at the root cause of the economic downturn we are now facing.

We need to do it and do it quickly. I know banks will hate this provision on bankruptcy. They have made up so many stories about what this will do to them. They talk about interest rates going up on mortgages across the board. But there was an analysis done by Adam Levitin, a Georgetown law professor. He said:

> Taken as a whole, our analysis of the current and historical data suggests that permitting bankruptcy modification of mortgages would have no or little impact on mortgage markets.

I agree. It is just a smokescreen. The same banks that want to be bailed out don't want to be held accountable. They created this mess, and they want to continue to profit from it. They want the taxpayers to subsidize it, and they don't want to step up to the table and work with families and homeowners to keep them in their homes.

That is not the way we do business in America. I hope we have learned a bitter lesson. Those who were champions of deregulation—JOHN MCCAIN used to talk about that being his mantra. He was opposed to regulation. He was all for Senator Phil Gramm's attitude toward keeping your hands off the economy. Look where it brought us today: the mess that we face.

In just a matter of a couple weeks we will see an exposure of liability to our Federal Government almost equal to the combined national debt accumulated in the United States since its inception. That is poor management. It reflects poor thinking. It reflects an economic philosophy that needs to be tossed onto the dustbin of history.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATCH. 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 ECONOMY

Mr. HATCH. Mr. President, I rise today concerned about the current crisis in our financial markets and the state of our economy. I am also concerned about the course that is being laid out by both the administration and the congressional leadership.

Specifically, I fear that the magnitude of what we are undertaking is being swallowed by the concerns of an election campaign and, quite frankly, I don't believe that is any way to govern. Of course, the sense of urgency being expressed by my colleagues is warranted given the circumstances.

In the last year, price increases, particularly in food and energy, have exceeded our income growth. The unemployment rates have edged up. Already we have lost some 700,000 jobs. Obviously, the fallout was particularly severe in the housing sector. But it should be noted that some of the slowdown is due to the aging of the economic expansion and the completion of the capital investment spurred by the 2001 and 2003 tax cuts. Clearly, these need to be renewed and expanded to encourage growth in the economy at large.

However, we are dealing with more than a sputtering in our economy. Losses on mortgage-backed securities, coupled with the loss of confidence in the financial sector, threaten to turn a predictable economic slowdown into something far worse. Indeed, we are in the grips of a financial panic of monumental proportions.

The sharp decline in confidence has led to runs on many institutions, most apparently among our investment banks that operated largely on borrowed money at high rates of leverage. Most of these institutions have either sought merger partners or are being sold to stronger firms. Others are reconstituting themselves as commercial banks in order to obtain additional Federal deposit protection and regulation.

Many investment banks were too shaky to survive, unable to absorb losses on housing-related securities that exceeded their capital and having insufficient time to obtain an infusion of capital from new investors.

Most financial institutions here and around the world have suffered manageable losses. Except for the uncertainty which has made our banks reluctant to deal with one another or to issue new loans, they are otherwise in good condition.

Banks and other financial institutions around the world have considerable assets but cannot access them. Normally, an institution in need of cash would sell some of its assets to others. But at the current time, entire classes of assets cannot be valued properly and, as a result, there is no functioning market for them. These institutions cannot wait for the market values to be sorted out because they owe money now that is due for repayment.

We have to buy the banks enough time to properly sort out their assets. When the sorting is complete, they will likely find that their assets still have considerable value, perhaps between 70 cents and 90 cents on the dollar. Delinquency rates on mortgages are significantly up from a year ago, from about 2.4 percent to a bit over 8 percent as of the end of June. However, the homes and the land are still in existence and have retained much of their intrinsic real value. Most of the borrowers are paying their mortgages, and most of the mortgage-backed bonds are still paying interest. Unfortunately, if the bonds have to be resold today in this unstable, panicky market, they will yield far less than their real value. If the bonds can be held until the crisis is sorted out, the losses will be greatly decreased. Certainly, the losses will be substantial and inconvenient for many institutions and for a number of individual investors, but they will be manageable.

These are not insurmountable problems. We have dealt with financial crises before. We overcame the devastating stagflation of the 1970s, halting inflation and renewing economic growth through a mix of new monetary tax-and-spend policies enacted in 1981. We solved the savings and loan crisis of the mid-1980s, even as income and unemployment rose rapidly, without resorting to renewed inflation.

In short, our greatest fear should not be the crisis itself but the possibility of an inappropriate response to the crisis.

In order to determine the best course going forward, we need to examine what got us here. While it would be easy, especially during the campaign season, to lay the blame at the feet of certain individuals, the actual problems we face are simply too complex to be pinned on a single actor or party.

Right now, we are seeing the consequences of a long series of policy errors, both in the private and public sectors, which combined to create a perfect storm of financial instability. Many of our problems stem from our monetary policy at the Federal Reserve. From 1988 to 1999, the Fed pursued a relatively stable monetary policy. However, in anticipation of serious problems with the financial sector's computer systems as the year 2000 approached, the Fed flooded the system with money in 1999. This contributed to the ''dot com'' bubble, and subsequent efforts to take out the excess cash contributed to the recession of 2001.

In order to spur the economy, the Federal Reserve held short-term interest rates too low for too long, well below the expected rate of inflation. The money that subsequently poured into housing and commodities created excessive demand, contributing to the housing and commodity price bubbles, both of which burst due to the most recent efforts of the Fed to return to a less-inflationary stance.

The easy credit made available from these policies was quickly steered into the housing sector, facilitated by increased availability of adjustable rate mortgages, rising demand for mortgage-backed securities, and the globalization of financial markets.

The proverbial plot thickened as loan origination companies and many banks continually borrowed at the prevailing low rates and resold the mortgages to Fannie Mae and Freddie Mac or other firms generating mortgage-backed securities, all of which planned to sell the mortgages rather than keep them on their books. So they had little reason to be concerned with the quality of loans or the borrowers' ability to repay.

As a result, lending standards fell. Subprime loans were given to many debtors who could not, under normal conditions, qualify for or afford the debt they were taking on. These people were offered adjustable rate mortgages with low teaser rates, borrowing on the assumption that they could always refinance at the same low rates later on. In effect, low-income buyers became speculators in the midst of a bubble. Borrowers and lenders assumed that real estate prices would rise indefinitely. Therefore, many assumed that, even if they could not refinance, they would be able to sell their houses later on at a profit.

The infusion of money into the housing market increased demand and drove up housing prices, leading to overconstruction. Eventually, the prices had to come down to Earth, leading to the losses and defaults that we are facing today.

Make no mistake, we are facing difficult times. But I must urge my colleagues to maintain some perspective about the overall state of our economy. True enough, these were unprecedented challenges, but given what is at stake, the American people need an accurate portrayal of the obstacles we face. Once again, our current problems are difficult but not fatal, and contrary to the claims of some of my colleagues, this is not 1929 and America has not become a country of Tom Joads.

While, once again, the financial failures have placed us in an extremely tenuous position, the overall economy has not collapsed. As a result of the reduction in tax rates beginning in 2001 and 2003, we saw more than 4 years of strong economic growth. After a single quarter of negative growth at the end of 2007, our economy has continued to grow this year, though at a slower rate. Productivity has been on the rise and inflation has been on the decline. Of course, these facts are not likely to comfort those in our country who are struggling through the uncertainties, but they should give us cause to believe we can weather this storm.

Yet what we hear from some Democrats regarding these matters are more partisan attacks and fingerpointing. The country is in shambles, and President Bush and JOHN MCCAIN, they say, are entirely to blame. Of course, these attacks are simply ridiculous, just as it would be ridiculous for me to stand here and lay the blame entirely on Democratic congressional leaders. The stakes are simply too high on this issue for our response to be muddled by campaign rhetoric or election-related agendas. I sincerely hope we can move past any partisan wrangling and address these matters in a sensible, bipartisan fashion.

This week we are working on, and are likely to pass, an economic relief package that, if it resembles what has been advertised, will put the American taxpayers on the hook for about $700 billion—$700 billion—and the American taxpayers will become the proud owners of a mountain of questionable mortgages. The fact that this gargantuan number can be discussed in these Chambers without causing all of us to shudder says a lot about how detached from reality many of us have become.

The Secretary of the Treasury, Henry Paulson, whom I greatly respect and admire, announced a proposed bailout last Friday. According to the current agenda discussed among congressional leaders, they hope to be able to finalize the package and have it on the President's desk by the end of the week.

To sum up, we are preparing to authorize $700 billion in new spending and to fundamentally alter the balance between the Government and the private sector, and we will not take longer than a week to debate and discuss the legislation.

I know many of my colleagues are anxious to get back on the campaign trail so they can blame President Bush, Senator MCCAIN, or anyone with an ''R'' next to their name for the financial crisis. But I think the American people expect more out of us. Indeed, if we are going to spend $700 billion of their money, we had better be certain it is the right thing to do.

The proposal clearly has the potential to work. Under the plan, the Secretary will be given authority to spend up to $700 billion to acquire large quantities of questionable mortgage-related debt that have caused the financial markets to freeze. Fortunately, from what we have been told, that $700 billion figure is only the gross cost of the program. The assets acquired by the Treasury will eventually be sold. If—and this is a big if—all goes according to plan and the assets are purchased at appropriate discounts, there is a chance the Treasury will recoup the taxpayers' investment or even turn a profit.

As we heard from Secretary Paulson and Chairman Bernanke on Tuesday, this outcome cannot be guaranteed and, at this point, much uncertainty remains. However, as we all know, the cost of doing nothing could be much greater. By failing to act, we may inflict even greater hardship on the working people, small business owners, and retirees throughout the country.

In addition to the inherent risks in the program, a number of other factors must be considered. First of all, we need to remember that Secretary Paulson will not be running the Treasury for much longer. That is a possibility. In fact, it is a probability. Given the sheer size of this proposal, passage of this bill, coupled with the start of a new administration in January, the choice regarding the next Treasury Secretary will suddenly become one of the most important political appointments in a generation. We would be passing on to an unknown administration unprecedented powers over the financial markets and the private sector. While I have great confidence in the leadership and abilities of Secretary Paulson, such uncertainty gives me pauses.

Second, there is a conspicuous lack of transparency, oversight or accountability in the Secretary's proposal. Instead, it contains explicit provisions exempting his decisions from any kind of review. No consultation is required for any purchase, nor is there a requirement that either his decision-making process or his decisions themselves be made public. The shudder I feel over the $700 billion price tag grows exponentially if there is going to be no accountability.

If Congress is to approve a bailout of this magnitude, we must take proper precautions to ensure we do not compound the inherent uncertainty of the plan with more uncertainty in the legislation. We need to include some sort of guidelines or oversight in order to ensure that this administration and the next one do not abuse or misuse such a huge grant of trust.

Finally, we need to consider any response to the current crisis in the context of our long-term economic needs. While the proposed bailout may hold off an impending economic meltdown, any action we take now will be meaningless if it is not followed up with decisive action on our part.

Foremost, we need to change the way the financial sector works. The Federal Reserve needs to rethink its definition of good monetary policy and determine whether its existing policy tools—such as reserve requirements, oversight capabilities, and reporting rules—are adequate. In addition, Congress must reconsider what it has charged the Federal Reserve to do. The Fed has been charged with two goals: No. 1, providing a sound currency with stable purchasing power; and, No. 2, maintaining steady economic growth with low unemployment. At this point, it is obvious that an aggressive, excessively easy monetary policy in pursuit of short-term growth is self-destructive in the long run. It leads only to inflation and speculative excesses in the credit markets that might harm the economy, and probably will. Only by focusing on a stable currency can the Federal Reserve achieve both its objectives.

We also need to completely rethink Fannie Mae and Freddie Mac. As we have heard countless times over the last few weeks, in creating these two government-sponsored enterprises, we have made sure the benefits of their investments are private while all the risks are public. Put simply: This is bad policy with considerable moral hazard.

Fannie Mae and Freddie Mac together represent an immense government-created and government-coddled duopoly. In the years since their creation, they have focused mainly on their own expansion, recklessly urged on by many in Congress who believed this was the way to make home ownership more affordable for low-income families. However, as a recent Fed study has demonstrated, most of the benefit of the previously implicit—now explicit—Federal guarantee of their debt has gone to their shareholders as higher earnings, not to reducing costs for new homeowners. In their efforts to expand, Fannie and Freddie took too many unwarranted risks. They needed an ever-expanding supply of new mortgages to package and resell and to hold for income. Others fed this expansion effort with unsound lending.

The recent Federal bailout of these institutions requires an immediate step: an end to their lobbying to Congress. It is a little late in coming, but as of right now, it is essential. We need to stop insisting that Fannie and Freddie have an ever-expanding role in the housing market. We should also consider breaking each of them into separate pieces to promote more competition and to ensure that no one part of them will ever again be too big to be allowed to fail.

The regulatory and rating agencies also need to be reviewed. We need to ask whether they have enough resources for adequate supervision and whether they have failed to recognize the evolutionary changes in the credit markets and the new business arrangements that reduced transparency in financing. These and other questions will have to be explored as we move forward.

Congress must also recognize its responsibility to help the economy grow. I, for one, would like to see some willingness among the Democratic leaders to enact policies that are actually intended to spur long-term economic growth in our country. It is simply appalling that the United States has the second highest corporate tax rate in the industrialized world. Yet it is almost sacrilegious among Democrats to consider reducing those rates in order to spur growth among our Nation's businesses and employers. Capital gains in this country are taxed at a higher rate than they are in many countries throughout the world, and all we hear from Democrats are proposals to increase taxes on capital gains and dividends, which, as history has shown, creates disincentives for investment. During these months of slow economic growth, it has been our exports that have kept our economy afloat. One would think this should incentivize Congress to promote free trade with our allies throughout the world. Yet we have consistently seen efforts to open our exports to foreign markets stalled by the Democrats in Congress.

Finally, we spend $700 billion a year to purchase oil from outside the United States. But if you looked at any of the so-called energy bills we have considered in Congress, they do not contain any provisions that will actually increase oil production at home, except the bill we Republicans offered here a month or so ago.

We clearly need to reform our financial markets and refine the powers of the Federal Reserve in order to ensure crises such as this don't happen again. And though I hesitate to support the idea, it is not unreasonable to conclude that the proposed bailout can provide immediate relief and prevent any more catastrophic losses in the near future and give the financial market time to sort out the mess. But if we don't adopt policies that are pro-growth, pro-business, and pro-job creation, we won't be able to ensure long-term economic security for our country, no matter how many bad mortgages we purchase with the taxpayers' money.

These are indeed difficult times for our financial markets and the housing sector of our economy. I agree with my colleagues that we need to act fast. I only hope that, as we work toward a solution, we do so according to a timetable that is appropriate to the problems we face and not one based on election year expediency. I also hope that we can consider the long-term implications of our actions and consider the future as well as the present.

INTELLIGENCE OVERSIGHT

Mr. INOUYE. Mr. President, on September 11, the senior Senator from Missouri, Mr. BOND, came to the floor to introduce a resolution which suggests that the Appropriations Committee should establish an Intelligence Subcommittee. While I don't agree that this would be beneficial to either the Senate or the Nation, the Senator, of course, has a right to his opinion.

I would inform my colleagues that the leaders of the Appropriations Committees, Senators BYRD and COCHRAN, who are responsible for the division of labor on the committee addressed this matter in a letter they sent to Senators REID and MCCONNELL earlier this year.

Rather than debating this matter I would just point out that the chairman and ranking member make a very compelling case in opposition to this proposal articulating the significant damage to intelligence oversight that could result from the proposal offered by Senator BOND. I would like to highlight one observation from their letter. They point out that the proposal that the Senator makes would have the effect of further limiting the number of members who have access to the details of intelligence programs. It would put all decisionmaking into fewer hands. They suggest that for intelligence programs in which the general public, the watchdog groups, and the press must be denied access to the information, the absolutely worst thing the Congress could do would be to further constrain oversight and eliminate the benefits that come from having more individuals share responsibility in the decisionmaking process. I share their view that the proposal made by the Senator from Missouri would not improve congressional oversight of intelligence.

My colleague from Missouri spoke eloquently and passionately about the tragedy of 9/11 and the impact it had on him and this institution. On a personal note, I would like to thank him for the kind words he expressed about me and my role as chairman of the Defense Subcommittee. Senator BOND and I have served together on the Appropriations Committee since he joined us in 1991. He has served the committee in a number of key areas including on our Defense Subcommittee, but most notably as chairman of the former VA-HUD Subcommittee and currently as the ranking member of the Transportation-HUD Subcommittee. On the Appropriations Committee we have come to count on him for his expertise and sound judgment in these areas. As such, I must say I was surprised by some of the characterizations he made regarding action on classified programs.

Senator BOND noted that billions of dollars has been spent on technology programs which, as he described, "never get off the ground." I concur with this description and share his concern. He rightly blamed executive branch officials for many failures. But in so doing he failed to note that the Congress, including the Intelligence Committee, reviewed these programs for several years and authorized funding for them.

He discussed a program that he referred to as a "silver bullet." If I am right in assuming which program that is, I would point out that the Intelligence Committees, Appropriations Committees, and the intelligence community all originally supported the program. While the Senate Intelligence Committee soured on the program a few years ago, it remained supported by the House oversight committees, the Senate Appropriations Committee, the Director of National Intelligence, the Secretary of Defense, the Under Secretary of Defense for Intelligence, and the Chairman of the Strategic Command. But, yes, it was expensive. When a new DNI, new Secretary, and