

business goes bust isn't necessarily frowned upon."

Unfortunately, the administration has so far gotten the press to focus on the least important question about Mr. Bush's business dealings: his failure to obey the law by promptly reporting his insider stock sales. It's true that Mr. Bush's story about that failure has suddenly changed, from "the dog ate my homework" to "my lawyer ate my homework—four times." But the administration hopes that a narrow focus on the reporting lapses will divert attention from the larger point: Mr. Bush profited personally from aggressive accounting identical to the recent scams that have shocked the nation.

In 1986, one would have had to consider Mr. Bush a failed businessman. He had run through millions of dollars of other people's money, with nothing to show for it but a company losing money and heavily burdened with debt. But he was rescued from failure when Harken Energy bought his company at an astonishingly high price. There is no question that Harken was basically paying for Mr. Bush's connections.

Despite these connections, Harken did badly. But for a time it concealed its failure—sustaining its stock price, as it turned out, just long enough for Mr. Bush to sell most of his stake at a large profit—with an accounting trick identical to one of the main ploys used by Enron a decade later. (Yes, Arthur Andersen was the accountant.) As I explained in my previous column, the ploy works as follows: corporate insiders create a front organization that seems independent but is really under their control. This front buys some of the firm's assets at unrealistically high prices, creating a phantom profit that inflates the stock price, allowing the executives to cash in their stock.

That's exactly what happened at Harken. A group of insiders, using money borrowed from Harken itself, paid an exorbitant price for a Harken subsidiary, Aloha Petroleum. That created a \$10 million phantom profit, which hid three-quarters of the company's losses in 1989. White House aides have played down the significance of this maneuver, saying \$10 million isn't much, compared with recent scandals. Indeed, it's a small fraction of the apparent profits Halliburton created through a sudden change in accounting procedures during Dick Cheney's tenure as chief executive. But for Harken's stock price—and hence for Mr. Bush's personal wealth—this accounting trickery made all the difference. Oh, the Harken's fake profits were several dozen times as large as the Whitewater land deal—though only about one-seventh the cost of the Whitewater investigation.

Mr. Bush was on the company's audit committee, as well as on a special restructuring committee; back in 1994, another member of both committees, E. Stuart Watson, assured reporters that he and Mr. Bush were constantly made aware of the company's finances. If Mr. Bush didn't know about the Aloha maneuver, he was a very negligent director.

In any case, Mr. Bush certainly found out what his company had been up to when the Securities and Exchange Commission ordered it to restate its earnings. So he can't really be shocked over recent corporate scams. His own company pulled exactly the same tricks, to the considerable benefit. Of course, what really made Mr. Bush a rich man was the investment of his proceeds from Harken in the Texas Rangers—a step that is another, equally strange story.

The point is the contrast between image and reality. Mr. Bush portrays himself as a regular guy, someone ordinary Americans can identify with. But his personal fortune was built on privilege and insider dealings—and after his Harken sale, on large-scale corporate welfare. Some people have it easy.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. After listening to several 5-minute special order speeches, the Chair would remind all Members that, although remarks in debate may include criticism of the President on matters of policy or politics, remarks in debate may not descend to personalities by alluding to unethical behavior on the part of the President.

FOX GUARDING THE CHICKEN COOP

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

Mr. LEWIS of Georgia. Mr. Speaker, I come to the floor tonight dismayed, disillusioned and disappointed. What is happening in corporate America? What has become of our corporate leaders? This is a simple issue of right and wrong, good and evil, how fraud, lying and cheating have become part of our corporate culture. We must ask ourselves, How did this happen? What gave birth to this period of corporate greed and scandal?

It all started with the corporate crusade against big government. Big government was making big business file too many reports. Big government was spending too much time making sure that big business was following the law, so big business asked their friends in Congress to do something about it.

Thanks to Republican attacks against big government, these CEOs and board of directors are acting with little, if any, government regulation. They have been lying to investors, lying to workers, and lying to the Federal Government. And they have been getting away with it.

While corporate America has been making out like bandits, hard-working men and women are losing their jobs, their retirement, and losing their children's college funds. The majority party in the White House has created a climate in which Enron, WorldCom, and Tyco could happen. Instead of having the SEC look over corporate books, Republicans have had the SEC look the other way.

My colleagues, so shall thee sow, so shall thee reap.

But this travesty is not just about Global Crossing, WorldCom, Enron, Martha Stewart, Tyco, and Merck. In fact, it is not just about the world of business. It is bigger than that.

Look at the Republican environmental record. Look at their record on worker safety. Our Interior Department is fighting tooth and nail to drill for oil and dig for coal on our pristine public lands. The EPA is leading the fight for more air pollution. OSHA is making fewer and fewer trips to the workplace. And the SEC has been leading the fight to let business just go about its business.

Time and time again, Republicans have declared that the only regulation is self-regulation or no regulation. Even today, President Bush declared that we must "depend on the conscience of American business leaders."

Republicans have left the fox in charge of the chicken coop; and now they are shocked, they are absolutely shocked to find a fat fox and an empty chicken coop.

Mr. President, actions speak louder than words. Today's moral indignation rings as falsely as an Enron accounting report.

Today, President Bush told the American people that he wanted to hire 100 new staffers at the SEC to make corporations obey the law. President Bush did not tell the American people that just last year he proposed getting rid of 57 SEC workers. This is what the Republicans were doing before the American people started paying attention. This is what the Republicans were doing when no one was watching.

We do not need strong words and empty promises. We need strong regulation and strict enforcement. It is time to get tough on crime, all crime, and not just the folks who cannot afford to make a campaign contribution.

When someone gets caught dealing a thousand dollars' worth of drugs, they lock you up, lock you away, and take almost everything you own. We need the same standards for CEOs who steal millions of dollars from their companies. We need the same standards for corporate leaders who lie, cheat and steal from their employees and their shareholders.

Mr. Speaker, it is time to get serious about corporate crime. It is time to put some teeth back into securities laws and some power back into the SEC. Do not just talk the talk; walk the walk. Pass the laws. Protect the folks who are being dumped on and ripped off. We owe our people no less. It is our mission, our mandate, and our moral obligation, our moral responsibility.

HAS CAPITALISM FAILED AGAIN?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Texas (Mr. PAUL) is recognized for 60 minutes as the designee of the majority leader.

Mr. PAUL. Mr. Speaker, the question I want to address today is: Has capitalism failed again?

It is now commonplace and politically correct to blame what is referred to as the excesses of capitalism for the economic problems that we face, and especially for the Wall Street fraud that dominates the business news. Politicians are having a field day demagoguing the issue while, of course, failing to address the fraud and deceit found in the budgetary shenanigans of the Federal Government for which they are directly responsible. Instead, it gives the Keynesian crowd that runs

the show a chance to attack free markets and ignore the issue of sound money.

So once again we hear the chant: Capitalism has failed; we need more government controls over the entire financial markets. No one asked why the billions that have been spent and thousand of pages of regulations that have been written since the last attack on capitalism in the 1930s did not prevent the fraud and deception of the Enrons, the WorldComs, and the Global Crossings. That failure surely could not have come from a dearth of regulations.

What is distinctly absent is any mention that all financial bubbles are saturated with excesses in hype, speculation, depth, greed, fraud, gross errors in investment judgment, carelessness on the part of the analysts and investors, huge paper profits, conviction that a new-era economy has arrived, and above all else, pie-in-the-sky expectations.

□ 1800

When the bubble is inflating, there are no complaints. When it bursts, the blame game begins. This is especially true in the age of victimization and is done on a grand scale. It quickly becomes a philosophic, partisan, class, generational and even a racial issue. While avoiding the real cause, all the fingerpointing makes it difficult to resolve the crisis and further undermines the principles upon which freedom and prosperity rests. Nixon was right once, when he declared we are all Keynesians now. All of Washington is in sync in declaring that too much capitalism has brought us to where we are today. The only decision now before the central planners in Washington is whose special interest will continue to benefit from the coming pretense at reform. The various special interests will be lobbying heavily, like the Wall Street investors, the corporations, the military-industrial complex, the banks, the workers, the unions, the farmers, the politicians and who knows who else, but what is not discussed is the actual cause and perpetration of the excesses now unraveling at a frantic pace. This same response occurred in the 1930s in the United States as our policymakers responded to very similar excesses that developed and collapsed in 1929. Because of the failure to understand the problem then, the Depression was prolonged. These mistakes allowed our current problems to develop to a much greater degree. Like the failure to come to grips with the cause of the 1980s bubble, Japan's economy continued to linger at no-growth and recession level, with their stock market at approximately one fourth of its peak 13 years ago.

If we are not careful, and so far we have not been, we will make the same errors that will prevent the correction needed before economic growth can be resumed.

In the 1930s it was quite popular to condemn the greed of capitalism, the

gold standard, lack of regulation, and no government insurance on bank deposits for the disaster. Businessmen became the scapegoat. Changes were made as a result and the welfare warfare state was institutionalized. Easy credit became the holy grail of monetary policy, especially under Alan Greenspan, the ultimate maestro.

Today, despite the presumed protection from these Government programs built into the system, we find ourselves in a bigger mess than ever before. The bubble is bigger, the boom lasted longer, and the gold price has been deliberately undermined as an economic signal. Monetary inflation continues at a rate never seen before in a frantic effort to prop up stock prices and continue the housing bubble, while avoiding the consequences that inevitably come from easy credit.

This is all done because we are unwilling to acknowledge that current policy is only setting the stage for a huge drop in the value of the dollar. Everyone fears it, but no one wants to deal with it. Out of ignorance as well as disapproval for the natural restraints placed on market excesses that capitalism and sound markets impose, capitalism is not only rejected, it is blamed for all problems we face. If this fallacy is not corrected and capitalism is even further undermined, the prosperity that the free market generates will be destroyed.

Corruption and fraud in the accounting practices of many companies are coming to light. There are those who would have us believe this is an integral part of free market capitalism. If we did have free market capitalism, there would be no guarantees that some fraud would not occur. When it did, it would be dealt with by local law enforcement authorities, not by the politicians in Washington who had their chance to prevent such problems but choose instead to politicize the issue while using the opportunity to promote more Keynesian, useless regulations.

Capitalism should not be condemned since we have not had capitalism. A system of capitalism presumes sound money, not fiat money manipulated by a central bank. Capitalism cherishes voluntary contracts and interest rates that are determined by savings, not credit creation by a central bank. It is not capitalism when the system is plagued with incomprehensible rules regarding mergers, acquisitions, stock sales, wage controls, price controls, protectionism, corporate subsidies, international management of trade, complex and punishing corporate taxes, privileged Government contracts to the military-industrial complex, a foreign policy controlled by corporate interests and overseas investments; central mismanagement of farming, education, medicine, insurance, banking and welfare. This is not capitalism.

To condemn free market capitalism because of anything going on today makes no sense whatsoever. There is

no evidence that capitalism exists today. We are deeply involved in an interventionist, planned economy that allows major benefits to accrue to the politically connected of both political spectrums. One may condemn the fraud in the current system, but it must be called its proper name, Keynesian, inflationism, interventionism, and corporatism.

What is not discussed is that the current crop of bankruptcies reveals that the blatant distortions and lies emanating from years of speculative orgy were predictable.

First, Congress should be investigating the Federal Government's fraud and deception in accounting, reporting future obligations such as Social Security and how the monetary system destroys wealth. Those problems are bigger than anything in the corporate world and are the responsibility of the Congress. Besides, it is the standard set by the Government and the monetary system it operates that are the major contributing causes to all that is wrong on Wall Street today.

When fraud does exist, it is a State matter, not a Federal one, and State authorities can enforce these laws without any help from Congress.

Second, we do know why financial bubbles occur and we know from history that they are routinely associated with speculation, excessive debt, wild promises, greed, lying and cheating. These problems were described by quite a few observers as the problems were developing in the 1990s, but the warnings were ignored, for one reason; everybody was making a killing and no one cared, and those who were reminded of history were reassured by the Fed chairman that, this time, a new economic era had arrived and not to worry. Productivity increases, it was said, could explain it all.

But now we know that is just not so. Speculative bubbles and all that we have been witnessing are a consequence of huge amounts of easy credit, created out of thin air by the Federal Reserve. We have had essentially no savings, which is one of the most significant driving forces in capitalism. The illusion created by low interest rates perpetuates the bubble and all the bad stuff that goes along with it. And that is not a fault of capitalism. We are dealing with a system of inflationism and interventionism that always produces a bubble economy that must end badly.

So far, the assessment made by the administration, the Congress, and the Fed bodes badly for our economic future. All they offer is more of the same, which cannot possibly help. All it will do is drive us closer to national bankruptcy, a sharply lower dollar and a lower standard of living for most Americans, as well as less freedoms for everyone.

This is a bad scenario that need not happen. But preserving our system is impossible if the critics are allowed to blame capitalism and sound monetary

policy is rejected. More spending, more debt, more easy money, more distortion of interest rates, more regulations on everything, more foreign meddling, will soon force us to the very uncomfortable position of deciding the fate of our entire political system.

If we were to choose freedom and capitalism, we would restore our dollar to a commodity or a gold standard. Federal spending would be reduced; income taxes would be lowered and taxes would be removed from savings, dividends and capital gains; regulations would be reduced; special interest subsidies would be stopped and no protectionist measures would be permitted; our foreign policy would change and we would bring our troops home.

We cannot depend on government to restore trust to the markets. Only trustworthy people can do that. Actually, the lack of trust in Wall Street executives is healthy, because it is deserved and prompts caution. The same lack of trust in the politicians, the budgetary process, and the monetary system would serve as a healthy incentive for the reforms in government we need.

Markets regulate better than governments can. Depending on government regulations to protect us significantly contributes to the bubble mentality. These moves would produce the climate for releasing the creative energy necessary to simply serve consumers, which is what capitalism is all about.

The system that inevitably breeds corporate government cronyism that created our currently ongoing disaster would end. Capitalism did not give us this crisis of confidence now existing in the corporate world. The lack of free markets and sound money did. Congress does have a role to play, but it is not proactive. Congress' job is to get out of the way.

IS AMERICA A POLICE STATE

Another subject, Mr. Speaker, I want to address today, is is America a police state? Most Americans believe we live in dangerous times, and I must agree. Today I want to talk about how I see those dangers and what Congress ought to do about them.

Of course, the Monday-morning quarterbacks are now explaining with political overtones what we should have done to prevent the 9/11 tragedy. Unfortunately, in doing so, foreign policy changes are never considered.

I have for more than 2 decades been severely critical of our post-World War II foreign policy. I have perceived it to be not in our best interests and have believed that it presented a serious danger to our security.

For the record, in January of 2000 I said on this floor, "Our commercial interests in foreign policy are no longer separate. As bad as it is that average Americans are forced to subsidize such a system, we additionally are placed in greater danger because of our arrogant policy of bombing nations that do not submit to our wishes. This generates hatred directed toward America and

exposes us to a greater threat of terrorism, since this is the only vehicle our victims can use to retaliate against a powerful military state. The cost in terms of lost liberties and unnecessary exposure to terrorism is difficult to assess, but in time it will become apparent to all of us that foreign interventionism is of no benefit to American citizens. Instead, it is a threat to our liberties."

Again, let me remind you, these were statements I made on the House floor in January of the year 2000. Unfortunately, my greatest fears and warnings have been borne out.

I believe my concerns are as relevant today as they were then. We should move with caution in this post-9/11 period so that we do not make our problems worse overseas while further undermining our liberties at home.

So far, our post-9/11 policies have challenged our rule of law here at home and our efforts against the al Qaeda have essentially come up empty-handed. The best we can tell now, instead of being in one place, the members of the al Qaeda are scattered around the world, with more of them in allied Pakistan than in Afghanistan. Our efforts to find our enemies have put the CIA in 80 different countries. The question that someday we must answer is whether we can catch them faster than we generate them. So far, it appears we are losing.

As evidence mounts that we have achieved little in reducing the terrorist threat, more diversionary tactics will be used. The big one will be to blame Saddam Hussein for everything and initiate a major war against Iraq, which will only generate even more hatred toward America from the Muslim world.

But, Mr. Speaker, my subject today is to discuss whether America is a police state. I am sure the large majority of Americans would answer this in the negative. Most would associate military patrols, martial law and summary executions with a police state, something obviously not present in our everyday activities. However, those knowledgeable with Ruby Ridge, Mount Carmel and other such incidents may have a different opinion.

The principal tool for sustaining a police state, even the most militant, is always economic punishment, by denying such things as jobs or a place to live, levying fines or imprisonment. The military is more often only used in the transition phase to a totalitarian state. Maintenance for long periods is usually accomplished through economic controls on commercial transactions, the use of all property and political dissent. Peaceful control through these efforts can be achieved without storm troopers on our street corners. Terror or fear is used to achieve complacency and obedience, especially when the people are deluded into believing they are still a free people.

□ 1815

The changes, they are assured, will be minimal, short-lived and necessary,

such as those that occur in times of declared war. Under those conditions, most citizens believe that once the war is won, the restrictions on their liberties will be reversed. For the most part, however, after a declared war is over, the return to normalcy is never complete. In an undeclared war, without a precise enemy and, therefore, no precise ending, returning to normalcy can prove illusory.

We have just concluded a century of war, declared and undeclared, while at the same time responding to public outcries for more economic equality. The question as a result of these policies is, are we already living in a police state? If we are, what are we going to do about it? If we are not, we need to know if there is any danger that we are moving in that direction.

Most police states, surprisingly, come about through the democratic process with majority support. During a crisis, the rights of individuals and the minority are more easily trampled, which is more likely to condition a nation to become a police state than a military coup. Promised benefits initially seem to exceed the cost in dollars or lost freedom. When the people face terrorism or great fear from whatever source, the tendency to demand economic and physical security over liberty and self-reliance proves irresistible.

The masses are easily led to believe that security and liberty are mutually exclusive and demand for security far exceeds that for liberty. Once it is discovered that the desire for both economic and physical security that prompted the sacrifice of liberty which inevitably led to the loss of prosperity and no real safety, it is too late. Reversing the trend from authoritarian rule toward a freer society becomes very difficult, takes a long time, and entails much suffering. Although dissolution of the Soviet empire was relatively nonviolent at the end, millions suffered from police suppression and economic deprivation in the decades prior to 1989.

But what about here in the United States? With respect to a police state, where are we and where are we going? Let me make a few observations. Our government already keeps close tabs on just about everything we do and requires official permission for nearly all of our activities. One might take a look at our capital for any evidence of a police state. We see barricades, metal detectors, police, the military at times, dogs, ID badges required for every move, vehicles checked at airports and throughout the capital. People are totally disarmed except for the police and the criminals but, worse yet, surveillance cameras in Washington are everywhere to ensure our safety. The terrorist attacks only provided the cover for the do-gooders who had been planning for a long time before last summer to monitor us for our own good. Cameras are used to spy on our drug habits, on our kids at school, on