This so-called "Corporate and Auditor Responsibility Act" is nothing more than a political document for Republicans to appear like they are protecting investors and workers when, in fact, they are protecting corporations and CEOs. H.R. 3763 would actually increase the likelihood of another Enron situation because it limits the SEC's authority to prohibit Enron's corporate officers and directors from serving in such positions in the future if they are found guilty of misconduct.

What happened to the GOP mantra of holding executives accountable for corporate misconduct? H.R. 3763 fails miserably to hold CEOs even remotely accountable for their actions. Even President Bush thinks it makes sense to have a company's CEO certify the accuracy of their financial statements. This bill fails to take even that small step.

The Enron scandal happened less than 6 months ago, yet my Republican colleagues have quickly forgotten some of its major components. While thousands of Enron employees were being told to invest their retirement savings in Enron securities, Enron's CEO sold millions of dollars worth of company stock. Corporate officers knew that hollow deals were taking place to prop up the stock price, and the employees had to pay the price.

Shouldn't company CEOs be responsible for signing on the dotted line and verifying the company's books? Of course they should! Which makes it all the more unfathomable that the GOP would submit a bill without a provision to hold CEOs responsible for the veracity of their company's bottom line. Our Republican friends are basically saying to Ken Lay: feel free to get another CEO gig, create some new tax shelters for the company, prop up the stock price and then walk away with millions in personal profit. Today's bill does nothing to prevent that.

In contrast, the Democratic substitute addresses the more egregious corporate misconduct issues.

First and foremost, the Democratic substitute requires the CEO and chief financial officer (CFO) of publicly-traded companies to certify the accuracy and veracity of the company's financial statements. This is a reasonable first step to ensure that executives be held accountable for misleading investors and employees.

Next, the Democratic substitute allows the Securities and Exchange Commission (SEC) to recover all executive compensation received (including salaries, commissions, fees, bonuses, and stock options) for any period during which the executive falsified a company's financial statements. The Republican bill only allows the SEC to recover stock transaction proceeds for the six months prior to a corporate restatement of earnings. Under the Republican bill, an executive making a $3 million salary, who falsifies company financial records, will be able to keep it. He can also keep hundreds of millions of dollars in stock option proceeds accumulated under falsified accounting from previous years.

Finally, the Democratic substitute bill will empower the SEC to bar directors and officers found guilty of corporate misconduct from holding similar positions in the future. CEOs who mislead and defraud their investors and employees must not be allowed to return to similar positions. Without a strong provision such as this, incentives will continue to abound for CEOs to choose personal profit over corporate integrity.

This Republican bill is another sham on the American public who expect Congress to pass effective legislation to restore corporate accountability. I urge my colleagues to vote for the Democratic substitute and no on the Republican bill.

Mr. PAUL. Mr. Chairman, seldom in history have supporters of increased state power failed to take advantage of a real or perceived crisis to increase government interference in our economic and/or personal lives. Therefore we should not be surprised that the events surrounding the Enron bankruptcy are being used to justify the expansion of Federal regulatory power contained in H.R. 3763, the Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 (CARTA).

So ingrained is the idea that new Federal regulations will prevent future Enrons, that today's debate will largely be between CARTA's supporters and those who believe this bill does not provide enough Federal regulation and control. I would like to suggest that before Congress imposes new regulations on the accounting profession, perhaps we should consider whether the problems the regulations are designed to address were at least in part caused by prior government interventions into the market. Perhaps Congress could even consider the almost heretical idea that reducing Federal control of the markets is in the public's best interest. Congress should also consider whether the new regulations will have costs which might outweigh any (marginal) gains. Finally, Mr. Speaker, Congress should contemplate whether we actually have any constitutional authorization to impose these new regulations, instead of simply stretching the Commerce Clause to justify the program de jour.

CARTA establishes a new bureaucracy with enhanced oversight authority of accounting firms, as well as the authority to impose new mandates on these firms. CARTA also imposes new regulations regarding investing in stocks and enhances the power of the Securities and Exchange Commission (SEC). However, Mr. Speaker, companies are already required by Federal law to comply with numerous mandates, including obtaining audited financial statements from certified accountants. These mandates have enriched accounting firms and may have given them market power beyond what they could obtain in a free market. These laws also give corrupt firms an opportunity to attempt to use political power to gain special treatment for Federal lawmakers and regulators at the expense of their competitors and even, as alleged in the Enron case, their employees and investors.

When Congress establishes a regulatory state it creates an opportunity for corruption. Unless CARTA eliminates original sin, it will not eliminate fraud. In fact, by creating a new bureaucracy and further politicizing the accounting profession, CARTA may create new opportunities for the unscrupulous to manipulate the system to their advantage.

Even if CARTA transformed all (or at least all accountants) into angels, it could still harm individual investors. First, new regulations inevitably raise the overhead costs of investing. This will affect the entire economy as it lessens the capital available to businesses, thus leading to lower rates of economic growth and job creation. Meanwhile, individual investors will have less money for their retirement, their children's education, or to make a down payment on a new home.

Government regulations also harm investors by inducing a sense of complacency. Investors are much less likely to invest prudently and ask tough questions of the companies they are investing in when they believe government regulations are protecting their investments. However, as mentioned above, government regulations are unable to prevent all fraudulent activity, much less prevent all instances of imprudent actions. In fact, as also pointed out above, complex regulations create opportunities for illicit actions by both the regulator and the regulated, Mr. Chairman, publicly held corporations already comply with massive amounts of SEC regulations, including the filing of quarterly reports that disclose minute details of assets and liabilities. If these disclosures rules failed to protect Enron investors, will more red tape really solve anything?

In truth, investing carries risk, and it is not the role of the Federal Government to bail our every investor who loses money. In a true free market, investors are responsible for their own decisions, good or bad. This responsibility leads them to vigorously analyze companies before they invest, using independent financial analysts. In our heavily regulated environment, however, investors and analysts equate SEC compliance with reputability. The more we look to the government to protect us from investment mistakes, the less competition there if for truly independent evaluations of investment risk.

Increased Federal interference in the market could also harm consumers by crippling innovative market mechanisms to hold corporate managers accountable to their shareholders. Ironically, Mr. Chairman, current SEC regulations make it difficult for shareholders to challenge management decisions. Thus government regulations encourage managers to disregard shareholder interests!

Unfortunately, the Federal Government has a history of crippling market mechanisms to protect shareholders. As former Treasury official Bruce Bartlett pointed out in a recent Washington Times column, during the 1980s, so-called corporate raiders helped keep corporate management accountable to shareholders through devices such as the "junk" bond, which made corporate takeovers easier. Thanks to the corporate raiders, managers knew they had to be responsive to shareholders needs or they would become a potential target for a takeover.

Unfortunately, the backlash against corporate raiders, led by demographic politicians and power-hungry bureaucrats eager to expand the financial police state, put an end to hostile takeovers. Bruce Bartlett, in the Washington Times column sited above, described the effects of this action on shareholders, "Without the threat of a takeover, manaagers have been able to go back to ignoring shareholders, treating them like a nuisance, and giving themselves bloated salaries and perks, with little oversight from corporate boards. Now insulated from shareholders once again, managers could engage in unsound practices with little fear of punishment for failure." Ironically, the Federal power grab which killed the corporate raider may have set the stage for the Enron debacle, which is now being used as an excuse for yet another Federal power grab!

If left alone by Congress, the market is perfectly capable of disciplining businesses who engage in unsound practices. After all, before the government intervened, Arthur Andersen and Enron had already begun to pay a stiff penalty, a penalty delivered by individual investors acting through the market. This shows that not only can the market deliver punishment, but it can also deliver this punishment swifter and more efficiently than the government. We cannot know what efficient means of disciplining companies would emerge from a market process but we can know they would be better at meeting the needs of investors than a top-down regulatory approach.

Of course, while the supporters of increased regulation claim Enron as a failure of ''ravenous capitalism,'' the truth is Enron was a phenomenon of the mixed economy, rather than the operations of the free market. Enron provides a perfect example of the dangers of corporate subsidies. The company was (and is) one of the biggest beneficiaries of Export-Import (Ex-Im) Bank and Overseas Private Investment Corporation (OPIC) subsidies. These programs make risky loans to foreign governments and businesses for projects involving American companies. While they purport to help developing nations, Ex-Im and OPIC are in truth nothing more than naked subsidies for certain politically-favored American corporations, particularly corporations like Enron that lobby hard and give huge amounts of cash to both political parties. Rather than finding ways to exploit the Enron mess to expand Federal power, perhaps Congress should stop aiding corporations like Enron that pick the taxpayer's pockets through Ex-Im and OPIC.

If nothing else, Mr. Chairman, Enron's success at obtaining State favors is another reason to think twice about expanding political control over the economy. After all, allegations have been raised that Enron used the same clout by which it received corporate welfare to obtain other ''favors'' from regulators and politicians, such as exemptions from regulations that applied to their competitors. This is not an uncommon phenomenon when one has a regulatory state, the result of which is that winners and losers are picked according to who has the most political clout.

Congress should also examine the role the Federal Reserve played in the Enron situation. Few in Congress seem to understand how the Federal Reserve system artificially inflates stock prices and causes financial bubbles. Yet, what other explanation can there be when a company goes from a market value of more than $75 billion to virtually nothing in just a few months? The obvious truth is that Enron was never really worth anything near $75 billion, but the media focuses only on the possibility of deceptive practices by management, ignoring the primary cause of stock overvaluations: Fed expansion of money and credit.

The Fed consistently increased the money supply (by printing dollars) throughout the 1990s, while simultaneously lowering interest rates. When dollars are plentiful, and interest rates are artificially low, the cost of borrowing becomes cheap. This is why so many Americans are more deeply in debt than ever before. This easy credit environment made it possible for Enron to secure hundreds of millions in uncollateralized loans, loans that now cannot be repaid. The cost of borrowing money, like the cost of everything else, should be established by the free market—not by government edict. Unfortunately, however, the trend toward overvaluation will continue until the Fed stops creating money out of thin air and stops keeping interest rates artificially low.

Finally, Mr. Chairman, I would remind my colleagues that Congress has no constitutional authority to regulate the financial markets or the accounting profession. Instead, responsibility for enforcing laws against fraud are under the jurisdiction of the state and local governments. This decentralized approach actually reduces the opportunity for the type of corruption referred to above—after all, it is easier to corrupt one Federal official than 50 State Officials.

In conclusion, the legislation before us today expands Federal power over the accounting profession and the financial markets. By creating new opportunities for unscrupulous actors to maneuver through the regulatory labyrinth, increasing the costs of investing, and preempting the market's ability to come up with creative ways to hold corporate officials accountable, this legislation harms the interests of individual workers and investors. Furthermore, this legislation exceeds the constitutional limits on Federal power, interfering in matters the 10th amendment reserves to state and local law enforcement. I therefore urge my colleagues to reject this bill. Instead, Congress should focus on ending corporate welfare programs which provide taxpayer dollars to large politically-connected companies, and ending the misguided regulatory and monetary policies that helped create the Enron debacle.

Mr. BLUMENAUER. Mr. Chairman, I rise today in support of H.R. 3763, the Corporate and Auditing Accountability and Responsibility Act. This bill moves policy in the direction necessary to strengthen corporate and auditor oversight needed to prevent future debacles that we have seen recently at Enron and Global Crossing, and in the past with the Savings and Loan catastrophe.

These oversight failures have led to the loss of hundreds of billions of dollars of savings by innocent investors and employees. These losses have shattered the lives of families, including those in my district who are employed at Portland General Electric, which was purchased by Enron in 1997. Congress owes it to the American public to put in place measures that will eliminate conflicts of interest, lack of independence, and special protections given to accountants and lawyers, which have all been critical factors leading to corporate and industry failures.

Due to the severe impact that these corporate failures create, I urge the House to implement more significant reforms by passing the Democratic Substitute amendment, which:

Creates an independent regulatory board that can set strict standards for auditor independence, with sweeping investigative and disciplinary powers over audit firms.

Holds corporate CEOs accountable by requiring them to certify the accuracy of their financial statements and empowers the SEC to bar those guilty of wrongdoing from serving as corporate officers or directors at other companies.

Prohibits auditors from doing consulting work for the same clients they are in charge of auditing, thereby insuring that auditors remain independent and are not subject to conflicts of interests.

Bans analysts from owning stocks in the companies on which they report and prohibits their pay from being based on their investment firm's banking revenue.

The Democratic approach ensures that our corporate leaders, financial statement auditors, and stock analysts have adequate independent oversight and regulations to fulfill their professional duties. However, I also support the underlying bill, H.R. 3763, which begins the process of putting in place the reforms needed to prevent future tragedies that are so devastating to the savings and lives of American workers and investors.

Mr. SHOWS. Mr. Chairman, today I rise in favor of commonsense legislation that provides necessary reform for the auditing profession.

The Corporate and Auditing Accountability, Responsibility, and Transparency Act (CAARTA) offers the appropriate framework for addressing the concerns raised by the Enron debacle and the revelation of improprieties by its auditor, Arthur Andersen.

The consumers, employees, and investors affected by the demise of Enron due to unlawful misrepresentation of financial information deserve both answers and solutions so that confidence in accounting independence, objectivity, and integrity is restored. However, government should not overreact with prescriptive regulations. Instead, we should provide thoughtful and balanced measures that encourage sound auditing practices yet mandate compliance.

Auditors must maintain an independent relationship with businesses whose books are under review. CAARTA establishes the appropriate guidelines for determining true auditor independence without treading the slippery slope of unnecessary and debilitating regulation. Small businesses throughout Mississippi rely on their local accountants to provide more than just auditing services. These businesses rely on advice and counsel for all types of accounting problems such as bookkeeping, payroll services budgeting, and income tax preparation. We must keep local accountants and small businesses in Rural America in mind when we legislate policy that might impact these relationships in the future.

With these small businesses and local accountants in mind, I oppose any provision requiring auditors of publicly traded companies to meet a netcapital requirement of 50% of its annual audit revenue from publicly traded companies. I agree that auditors of SEC reporting companies ought to have enough capital and insurance to cover the liability they incur when an audit is performed; however, my concern remains with the small businesses and accountants in Rural America whose practices could eventually fall under the same requirement, devastating local, small-town accountants and debilitating the services they currently provide.

I support CAARTA's creation of a public regulatory organization (PRO) made up of both members of the public and members of the accounting profession. The American public and the accounting profession will be better served by this independent governmental body that is given the authority to sanction and discipline those accountants who violate codes of ethics, standards of independence and competency, or securities laws.

As United States Comptroller General David Walker identified in his written testimony before the Financial Services committee on April 9, 2002, the current self-regulatory system for