and AIDS,'' she said. ''You must also keep in mind when we talk about HIV and AIDS, it is a sexually transmitted disease, and therefore you cannot ignore it is sexually transmitted.''

ABORTION, EUTHANASIA, EMBRYO EXPERIMENTS ALWAYS IMMORAL

(By Frances D'Emilio)

VATICAN CITY.—Ruling out dissent, Pope John Paul II delivered the Catholic Church's most forceful condemnation of abortion, euthanasia and experimentation on human embryos.

The pope, in an encyclical released today, condemned what he called a spreading ''culture of death.'' He also refined the Church's stand on the death penalty, saying its justification is ''very rare,'' if not ''practically non-existent.''

Cardinal Joseph Ratzinger, the Vatican's guardian of orthodoxy, said the encyclical goes beyond the 1992 revision of the Catechism in hardening the stance against capital punishment.

As for abortion and euthanasia, encyclical is not a pronouncement of new doctrine, because the Church already condemned those practices, Cardinal Alfonso Lopez Trujillo noted, but an important ''systematic defense, broader and stronger,'' of the fundamental right to life.

In ''Evangelium vitae,'' or ''Gospel of Life,'' the 11th encyclical of his 16-year papacy, John Paul also restated the Vatican's ban on birth control. He noted he was well aware of the assertion that ''contraception, if made safe and available to all, is the most effective remedy against abortion.''

But he said a ''contraceptive mentality'' could lead to the ''temptation'' for abortion.

''Indeed, the pro-abortion culture is especially strong precisely where the Church's teaching on contraception is rejected,'' the pope said, in a possible reference to liberal wings of the Catholic Church, such as in western Europe or in the United States.

John Paul, addressing himself to politicians, declared that abortion and euthanasia are ''crimes which no human law can claim to legitimize.''

However, he said it was permissible for lawmakers to back legislation allowing abortion under restrictions if the alternative was letting a law stand that was even more liberal.

Cardinal Adam Maida of the Archdiocese of Detroit praised the document and called on U.S. Lawmakers and voters ''to work together to develop'' legislation with ''a new moral conscience.''

Opposing abortion is surely the most serious criterion in making political judgments,'' Maida said.

The pope expressed understanding for women who live through the often ''painful and even shattering'' experience of abortion. But he said no reason, ''however serious and tragic,'' justifies abortion—including a woman's ''desire to protect certain important values such as her own health or a decent standard of living'' for the rest of her family.

''I declare that direct abortion, that is, abortion willed as an end or as a means, always constitutes a grave moral disorder since it is the deliberate killing of an innocent human being,'' the pope wrote in the Church's strongest expression yet on the practice.

He affirmed the Holy See's penalty of automatic excommunication for anyone ''who actually procures an abortion.''

But he appeared intent on injecting a note of mercy in his overall harsh pronouncement, offering a ''special word to women who have had an abortion.''

''Certainly what has happened was and remains terribly wrong,'' the pope wrote. ''But do not give in to discouragement and do not lose hope.''

He extended ''moral condemnation'' to ''procedures that exploit living human embryos and fetuses—sometimes specifically 'produced' for this purpose by in vitro fertilization—either to be used as 'biological material' or as providers of organs or tissue for transplants in the treatment of certain diseases.''

But he did say that prenatal diagnostic techniques, such as aminocentesis, which carry a risk for the fetus or mother, are allowed as medical measures to help the unborn or to allow the mother ''a serene and informed acceptance.''

The pope reiterated Church teaching that the dying or their families can forego extraordinary measures ''when death is clearly imminent and inevitable.''

The pope praised movements ''in defense of life'' that ''act resolutely, but without resorting to violence.'' He did not specifically address the anti-abortion advocates who have killed doctors involved in abortion.

Encyclicals address matters are reserved for the most important papal declarations.

FEDERAL EMPLOYEE PENSION SYSTEM

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under the Speaker's announced policy of January 4, 1995, the gentleman from Maryland [Mr. HOYER] is recognized for 60 minutes as the designee of the minority leader.

Mr. HOYER. Mr. Speaker, as the Speaker knows, I came over to the floor during the course of a previous special order that a number of Members heard, and I had some concerns about the facts that were being discussed about the Federal employee pension system and I therefore want to make some remarks.

Very frankly, those remarks will be in large part from a Congressional Research Service paper that was prepared when the questions raised by the gentleman from Florida [Mr. MICA], the chairman of the Civil Service Subcommittee, which he discussed on the floor today, were first raised.

Those two questions include, first, the unfunded liability that is alleged to be present in the Civil Service Retirement System. For those who may not be fully familiar, Federal employees have effectively two retirement systems, one for those employees who were hired prior to January 1, 1984, and those who were hired subsequent to 1984.

The Federal Employee Retirement System, known as FERS, is available to all employees, but is mandatory for those who came on board after January 1, 1984. It is a system that everybody agrees is fully funded. It is a system which for the first time incorporated Social Security within the retirement scheme for Federal employees as well as a thrift savings plan. So the employees since January 1, 1984, essentially have a 3-legged stool as their retirement benefit: the Federal Employment Retirement System itself, the Thrift Savings Plan to which employees and their employer contribute, and Social Security.

The second question that has been raised was the question: Is the system now insolvent or will it become insolvent in the future? The answer to both these questions is no. That is critically important because that answer leads to the conclusion that there is not the necessity to act precipitously on this issue.

In point of fact, the Republicans are acting precipitously, and notwithstanding the fact that the committee of jurisdiction, the committee formerly known as the Committee on Government Operations, had hearings in subcommittee on this issue, chaired by the gentleman from Florida, and considered a bill, which would have involved a 2½-percent increase in the contribution that Federal employees make to their retirement system. Now that was for both those in the Civil Service Retirement System for employees before January 1, 1984, and those after, even though everyone agrees that those after January 1, 1984, are in a system that is fully paid for, notwithstanding that the proposal is to increase their contribution as well.

For those prior, it is 2½ percent. Ladies and gentlemen, a 2½-percent increase for Federal employees in their contribution is on top of the 7 percent that they already contribute. They do not have Social Security. So this system is their sole retirement system.

Their employer matches their contribution of 7 percent and an additional contribution is made to fully fund the system.

I want to read from the CRS report in answer to those two questions about this system. I am not going to go into the background beyond what I have already stated.

The CRS report says this: ''The liabilities of a retirement system are the costs of benefits promised to workers and retirees. A retirement system is fully funded if a trust fund holds assets approximately equal to the present value of all future benefit promises to which retirees and vested employees are entitled.'' Vesting in the Federal plan, by the way, requires 5 years of employment.

''Unfunded liabilities,'' the report goes on, ''are earned benefits for which assets have not been set aside in a retirement fund. As of the end of fiscal year 1993, the Federal retirement trust fund held $276.7 billion in assets for the CSRS, or about 34 percent of the long-term CSRS pension liabilities.'' Thus, the unfunded CSRS liability was $538.3 billion. That is the sum of which the gentleman from Florida speaks.

Normally one would say that is, and it is, a very large sum. And perhaps we ought to be worried about that. What do the experts say? ''The unfunded liability developed because the CSRS funding laws have not required the Government to fund the system fully.'' That is unlike the private sector, and the theory of course is that the Government is not going to go out of business; therefore, will not have immediate demands on all of its resources and, therefore, like Social Security, can pay it on a year-to-year basis.

''Nevertheless, the primary purpose of the Federal trust fund is not to provide a source of cash for the Government, but to provide budget authority to allow the Treasury to disburse monthly annuity checks without annual appropriations. The trust fund balance,'' and this is the important point, ''The trust fund balance is adequate to provide this budget authority on an ongoing basis.''

Let me repeat that sentence. ''The trust fund balance is adequate to provide this budget authority on an ongoing basis.'' In other words, there is no crisis. There is no risk to Federal employee retirees in not having their retirement paid.

The report goes on to say this: ''The combined funded and unfunded liabilities of the CSRS, $815 billion in fiscal year 1993, is the amount the Government would have to pay all at one time if everyone who is or whoever has been a vested CSRS participant could demand a check for the present value of all benefits to which they would be entitled from that time throughout retirement until their death, taking into account future pay raises they might receive, and cost-of-living adjustments after retirement.'' This is key.

''This event,'' and I am quoting, ''cannot happen in the Federal retirement system.'' This event cannot happen in the Federal retirement system. In other words, the gentleman from Florida creates a false premise, and that is that the unfunded liability can be called upon to be paid all in one lump sum. Repeat the sentence. ''This event cannot happen in the Federal retirement system. Federal pension obligations cannot come due all at one time, unlike the situation that arises in the private sector when an employer goes out of business and must pay all promised obligations at once.'' In other words, what we have said to large and middle and small corporations, if you promise your employees a pension benefit, if you say it is going to be ''*x*,'' then you need to contribute a sum sufficient to ensure that even if you go out of business; in other words, if there is no additional cash-flow into your business out of which you could pay retiree benefits. In the eventuality you go out of business you must have resources sufficient to meet the obligation to your employees.

Very frankly, ladies and gentlemen, if the Federal Government goes out of business, the Federal retirees' pension is not going to be worth much anyway. Very frankly, nobody else's pension is going to be worth much either if the Federal Government goes out of business.

Some of the Government's liabilities represent payments due to current retirees who receive their benefits 1 month at a time throughout retirement. Others represent payments that will not commence for years to come, because the workers are not yet eligible to retire.

By the time they become eligible, others currently retired will have died. Thus, unlike private employers, the Government need not fully prefund the retirement system in order to insure against having to pay off all earned benefits simultaneously.

This is not a game, this is not legerdemain, this is not fiscal sleight of hand. This is simply the fact that the actuarial facts lead us to conclude.

The report goes on to say that some are concerned, and we have heard it on the floor today, ''that the existence of unfunded Federal pension liabilities has, or will have in the future, an effect on the budget deficit and/or the need for tax revenues. The annual budget cost to the Government of CSRS can never be more than the sum of the checks written to annuitants one month at a time.''

In other words, you are not going to have to pay out an obligation all at one time. ''Thus the liabilities of the system, funded or unfunded, will never require payments from the Treasury in excess of the benefits payable to living, retired workers or survivors.'' This is critical in understanding that there is not a crisis, that there is not a need to move precipitously, that there is not a need to move without deliberate consideration by the committee of jurisdiction.

That has not happened. As a matter of fact, my friend, the acting Speaker, knows that did not happen because he was at the committee and serves on this committee. What happened was there were some relatively abbreviated hearings. It then came to the committee for markup. The committee adjourned because they did not have the votes to pass the legislation.

Now that is not to say that everybody was against it, but there were on both sides of the aisle some very thoughtful Members who said I want to make sure that this is the right thing to do before acting to adversely affect 2 million civilian workers who work for the Federal Government, and to increase their contributions by a total of 2½ percent over 3 years, tantamount to a 10-percent tax increase for somebody making $20,000, $30,000, or $40,000, and working for the Federal Government.

However, the report goes on, ''The cash to pay monthly benefits comes from general revenues, and paying monthly benefits creates an outlay from the budget and therefore contributes to the budget deficit, as does any Government spending.'' It is as a contribution, when you have an employee and you make contributions toward their health benefits, toward their retirement benefits if you are in the private sector, a stock option, deferred payments, 401(k), whatever that might be. Clearly that is a cost.

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No one says it is not a cost, but it is a cost of doing business. It is a cost of having employees. Consequently, the report goes on, in times of tight budgets, Congress often considers benefit cuts in order to reduce spending. In other words, we reach into the pocket of Federal employees and take out some of their money.

You say how much have we done? From January 1981, if we followed the law to this day, Federal employees would have received in pay and benefits, health care and retirement benefits, $163 billion more than they have received.

Now that sounds like a lot of money, and it is a lot of money. But during that time we have probably spent, I suppose, in that 14 years, somewhere in the neighborhood of approximately $1 trillion per year, or $14 trillion, approximately.

So you can see that it is a relatively small percentage of our cost of doing business, but it is a legitimate cost of doing business.

The report goes on to say this: Does the CSRS face insolvency? That was another concern raised by the gentleman from Florida. The report goes on to say that currently about half of the Federal work force participates in this program, and as the number of CSRS-covered workers declines, the assets in the trust fund will decline, not because of the payroll contribution from workers but primarily because of Government payments themselves declining.

It goes on: When Members of Congress wrote the new FERS law in 1986, they understood there would have to be a financial transition from CSRS to the FERS program. That is the pre-1984 program to the post-1984 program.

The law provides for one trust fund in which both assets of the old system and the new system are combined. Therefore, there is no separate CSRS trust fund that will be depleted. In other words, the gentleman from Florida is talking about a system that is integrated with a system that we all agree is fully paid for.

Second, Congress established a system whereby benefit payments under CSRS will be authorized by FERS trust fund securities, as needed, until there are no more CSRS benefits to be paid. In short, the system, as reformed in 1986, contemplated exactly the situation we are in today and provided for the funding of that system, to wit: The conclusion, there is no crisis, there is no insolvency. And although technically there is an unfunded liability because the Government is never going to go out of business short of a catastrophe for the country, there will never be a call on the assets of any fund except, as the report previously indicated, on a month-to-month basis.

In summary, Mr. Speaker, by definition, under the financing arrangement set out in current law, the system is not now and never will be insolvent or without adequate budget authority for payment of benefits. That is the critical component of this debate.

Under the financing arrangement set out in current law, without change, the system is not now and never will be insolvent or without adequate budget authority for payment of benefits.

Again, because the budget cost of the system can never exceed the cost of monthly benefits to living annuitants, the cash required from the treasury or taxpayers will never exceed the cost of these monthly benefits. As a result, there is no crisis.

The Federal Government is paying a reasonable sum for the benefits of its employees. Can we debate as to whether or not we ought to modify this system for those who come into the system or those who have been in it for such a short time they are not vested in the system? Of course we can. That is responsible. We have a budget deficit in this Nation. We need to deal across the board with how the Government spends money. That is appropriate to do so.

My friend from Virginia, Mr. MORAN, has just arrived with me on the floor.

We do not object to that. What we do object to and, very frankly, what the gentleman from Pennsylvania [Mr. CLINGER] the chairman of the committee objected to, was having this issue not dealt with by the substantive committee of jurisdiction, and having it taken up by the Committee on Rules without any debate, without any hearings. Just put into the tax bill on the premise that we are going to pay for a tax cut for other Americans by increasing the taxes on Federal employees.

Mr. CLINGER, when that occurred in the last Congress—Mr. Speaker, you will be, I know, pleased to hear this—wrote to then chairman CONYERS, chairman of the Committee on Government Operations, now the newly named committee, the Committee on Government Reform and Oversight—we have had a revolution, and I cannot keep up with the names all the time—in a letter dated July 12, 1994, in which then ranking member CLINGER criticizes the gentleman from Michigan [Mr. CONYERS] for taking a bill to the Committee on Rules that has not been reported out of the Committee on Government Operations. That is exactly what has happened here.

In light of the report that has been issued, Mr. Speaker, which I have just read from extensively, it is clear that there is not a crisis. To the extent there is an issue, we ought to debate that issue honestly, openly, ask experts to come in, Federal employees to come in, and others to come in and say, ''This is how we think you ought to do the system.'' We are prepared to do that.

But I would hope, Mr. Speaker, that you and others would urge the Committee on Rules on Tuesday not to include this in the tax bill, to give us time to consider it. I would urge you to join the gentleman from New York [Mr. SOLOMON] the chairman of the Committee on Rules, who when Mr. MORAN and I, Mrs. MORELLA, and Mr. WOLF, in a bipartisan way, along with the ranking member CARDISS COLLINS, testified before the Committee on Rules, Mr. SOLOMON, the chairman of the Committee on Rules, said, ''I do not think this ought to be in this bill. We haven't considered it. We are not the committee of jurisdiction. We are not sure of the issues in this bill. And it does not, in any event, appear to me to be fair to Federal employees.''

I pointed out to the chairman of the Committee on Rules that if there had been a proposal to change the rules on somebody who served 18 years in the United States Marine Corps—which the chairman of the Rules Committee is a marine himself and justifiably incredibly proud of the Corps—and said, ''We are going to change the rules on you,'' I told Chairman SOLOMON, ''You would be on the roof yelling and screaming and hollering.'' And he said, ''You are right.''

Now I want to yield to my friend, the ranking member on the Subcommittee on Civil Service, who has done an outstanding job in fighting this fight, making the case, educating Members, asking that we consider this matter in a deliberate fashion. Mr. Speaker, I yield to my friend from Virginia.

Mr. MORAN. I thank my very good friend from Maryland and also thank him for his leadership on this issue and so many issues of importance to Federal employees and, in fact, to the American people, because the way in which we treat the people who serve our constituents reflects well on how much we respect our constituents and in fact on ourselves, because the people who make this institution and the legislative branch and the executive branch are all affected by this legislation.

But it seems to me there are two principles at stake here on this issue. One is fairness, and the other is integrity.

With regard to fairness, we will have before us a tax cut bill. The purpose of that bill is to relieve the tax burden on other Americans, middle class. And the principal beneficiaries happen to be the wealthiest class of Americans. But the purpose is to relieve their tax burden.

How unfair to relieve their tax burden by increasing the taxes of one group of American people, who happen to serve the American people by working for the Federal Government, 2 million people that we are talking about. In fact, their taxes would go up by 35 percent if they participate in the Civil Service retirement system, since they are currently paying 7 percent and it is a 2.5 percent increase, that is 35 percent of the base that they are currently paying that they would pay in addition. That money goes to paying for a tax cut for other Americans.

If, however, they happen to participate in the Federal employees retirement system, the new system where they currently pay 0.8, what they would contribute after this change increases by over 300 percent to 3.3 percent, which is an enormous increase.

But does it go to the retirement system itself? No. Because that is not the purpose of it, to fix any retirement system. The purpose of it is to finance a tax cut for other Americans. We are singling out one group of Americans in order to finance a tax cut for another group of Americans. How unfair.

But beyond that, let us talk about integrity, the integrity of this institution is what I am referring to. From 1984 to 1986, this Congress worked on the Federal retirement plan, brought in all the experts. Both the House and the other body led that effort. The gentleman from the other body, Senator STEVENS, was one of the most important leaders, as well as the gentleman from Maryland [Mr. HOYER] and others.

I was not in the Congress at the time. But Mr. HOYER knows who they were, those who were involved. But they came up with a system that was based upon the best knowledge that existed both in the private sector and in the public sector, a system that was designed to pay for itself.

That is why the CSRS system, the Civil Service Retirement System, is being phased out, because it had been calculated on static basis, not a dynamic basis. It had not taken into account merit promotions, locality pay increases, cost-of-living increases, and so on. It was calculated on a basis that was inadequate. Thus, it was not fully paying for itself.

So what they decided was to come up with a new system, and to take care of inflation, as the private sector does, use the Social Security System, assuming Social Security System provides annual cost-of-living increases. So that is what they did. Federal employees who elected the new system pay 7 percent into Social Security and 0.8 percent into the FERS plan. Those employees who chose to stay with the old system pay 7 percent into that system, but they do not have the assurance of cost-of-living increases.

So, it was balanced, it was a difficult choice. They made the choice, but they made it within the context that this Congress, this branch of Government, established. And that context was a commitment that we will not change the rules of the game. Once you make a decision, we are not going to tamper with your retirement plan. We will set it in concrete. We know it is designed to pay for itself.

So once you make this decision, ''you can rest assured you can make your retirement plans based upon this commitment that we make today,'' back when the legislation was enacted in 1986.

Some Members chose to stay in the old plan, and other Members chose to stay in the new plan. You know, Mr. Speaker, the fact is that those calculations worked out exactly as it was anticipated.

To show you what a good job they did, what has happened between then and now is exactly what they calculated would happen. As the gentleman from Maryland [Mr. HOYER] said, we have a system that is financially solvent and, in fact, last year there was a $60 billion reduction in the unfunded liability. In fact, $63 billion was paid into the system, $36 billion was paid out, exactly what was calculated would happen.

It is working. It is exactly what was anticipated. The Federal employees are doing their part, and their employer, the Federal Government is doing its part.

In fact, if any change should be made, we should recognize that the static system that they based it upon has actually not required as much funding as they estimated. It has gone down from about 12 percent of payroll down to about 10 percent. The dynamic system, taking into account all the changes that could occur, actually went down from 36 to 25 percent.

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So, if we should make any change, that change should be to reduce Federal employees' contributions. But what are we doing? We are being driven by other political considerations. We are choosing one group of only 2 million people to take money from them to pay for tax cuts for a larger group of people. I personally do not think this tax cut is in the Nation's best interests.

But I will tell the Speaker and anyone that is listening that they should not be complicit in this unfairness, this violation, this breach of the kind of integrity that this institution has established over 200 years. To think that we would make a commitment to all those Federal employees, upon which they based their decision, and now we would violate it? I cannot believe that that could happen or that our leaders are even considering that.

We ought to consider, Mr. Speaker, that we are not just talking about the Federal employees themselves. We are talking about their families because that is what retirement is all about. Mr. Speaker, you do not contribute to a retirement system for your own interests, nor does the gentleman from Maryland [Mr. HOYER], nor does anybody in the room today. The reason we contribute to a retirement system is to ensure there will be financial security for our spouses, for our children. That is our commitment to them. That is the commitment that Federal employees make to their families. And now to think that these retirement plans that have influenced the direction that their lives have taken, that have influenced their decision to stay in the Federal Government based upon a commitment we made, would be breached; we cannot allow this to happen.

Mr. Speaker, I thank my good friend from Maryland for yielding me the time, and I thank him for taking the time to make our case before the American people.

Mr. HOYER. I thank my good friend from Virginia, and I would close now, Mr. Speaker. Many of the Members of this body talk about the Contract With America. I think it has been an important document in the sense that it has set an agenda. Obviously some of it I do not agree with; some I have agreed with. But, as we have a Contract With America in terms of some of us having signed a document and said, if we are elected, this is what we are going to do, it seems to me as well we have a moral and ethical contract with those whom we ask to serve their country as Federal employees, as employees of this House, employees of the Federal service, and that contract essentially says that, if you work with us and if you perform well, we will do certain things. We will pay you a salary, we will automatically adjust that salary from time to time, and we will provide a retirement system for you, and we will give you health benefits.

Those are the three benefits that Federal employees have. There are no stock options obviously as there are not in public service, and although that is, perhaps, not a legally enforceable contract in the sense that our Federal employees, and our staff in this Chamber, and in this House and across the way in the Senate cannot take us to court and say, you know, we have worked for 5, or 10 or 15 years because you told us that this was the deal, this was the consideration, this is how you would treat us. Although they cannot take us to court, in my opinion that is amoral contract that we have with our people, and just as so many of your party, Mr. Speaker, have argued that we ought to keep the contract that we signed in September 1994, we ought to keep our contract with our employees, and if we make changes, it is fair to do so to those we hire anew and say this is the arrangement. We have changed it because we found it was too expensive, and so we are changing it, and so when you come on board, when you come on as an employee, understand there are new rules, and even for those who are not now vested in the system, who do not now have, in effect, a reason to say this is now mine, the 5-year vesting, we could say to them, look, you have not vested yet, and we are going to change, but for those folks who are vested in this system, it is unconscionable for us to now say we did not tell you the truth, we are going to change the rules, we are not going to meet our commitment to you, your compensation will be less than we promised.

I hope we do not do that, Mr. Speaker.

I had not intended to talk today on this issue, but Mr. MICA, one of his colleagues, took a special order to discuss this issue, and I wanted the full context of this issue to be discussed today because next week this issue will be on the front burner. I hope the Speaker of the House, Mr. GINGRICH, Mr. SOLOMON, the chairman of the Committee on Rules, and others, decide to take this out of the tax bill, to put it back to your committee, Mr. Speaker, have hearings, consider this, and take such action as we then deem appropriate.

NEUTRAL COST RECOVERY: FROM ADAM SMITH TO NICK SMITH

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under the previous order of the House, the gentleman from Michigan [Mr. SMITH] is recognized for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, next week we will be voting on the tax cuts promised to the American people under the Contract With America. While some would argue that now is not the time to cut taxes since we must balance the Federal budget, we should realize that an increase in the growth rate of the economy would in itself reduce the deficit, since it would increase revenues and reduce welfare spending.

Not all tax cuts are equal in terms of increasing the growth of the economy. Approximately 75 percent of the economic growth from our tax package comes from neutral cost recovery. Neutral cost recovery is a tax change to allow businesses to account for the wearing out of their machinery and buildings as they produce goods and services.

By reducing the cost of capital 16 percent, neutral cost recovery will increase the amount of machinery, equipment, and buildings that workers use. This will, in turn, raise everyone's wages and wealth. We have known for more than 200 years that the accumulation of capital is the key to economic growth. Here is what Adam Smith had to say about the subject in his ''The Wealth of Nations'' in 1776:

> Every increase or dimunition of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently. . .the real wealth and revenue of all its inhabitants.

Adam Smith was telling us that if a nation's capital increases, it will increase that nation's output of goods and services, the amount of employment, and the overall wealth and income of all of the country's inhabitants. He also explained how the real beneficiary of this process was the nation's poor. Adam Smith suggested we only need to look at the standard of living of any poor person living in a capitalist country and compare that standard of living to an upper income person in any non-capitalist economy. Would you rather be poor in the United States or rich in Uganda?

In 1949 the great economist, Ludwig von Mises, wrote that the reason that Western countries are ahead of the other parts of the world is because they have a system that encourages savings and capital investment.