

Medicare means that at some time Medicare is going to run out of money. With the insolvency of Medicare, it will run out of money. There is no authority in the law to borrow money for Medicare, so no bills would be paid after a date stated by the trustees.

These trustees are Robert Rubin, Secretary of the Treasury; Robert Reich, Secretary of Labor; Donna Shalala, Secretary of HHS; Shirley Chater, Commissioner of Social Security, and two trustees are private citizens who are expert in this area of economic forecasting, Sanford G. Ross and David M. Walker. They unanimously, on April 2, asked the Congress of the United States to take very drastic action to end the pending insolvency of Medicare by the year 2002.

As shown on this chart, you can go back to 1985, and this is what you see—money coming in, money being paid out. Next year is the first year that there is more money being paid out of Medicare than is being paid in in taxes to the Medicare trust fund. And then it spends down very dramatically to the year 2002 when it goes into deficit. You do not pay anything on the deficit because there is no authority there to borrow.

So we responded to the appointees of the President of the United States, the trustees of the Medicare system, in their report to us. We made the commitment earlier this year to respond to that need, to save Medicare, but not only to save Medicare, but to strengthen Medicare, and not only strengthen it, but go beyond strengthening it to give people, for the first time in 30 years, some choice in the type of medicine that they want applied to them by giving them the opportunity of keeping what they have had for 30 years if they want to do so, or taking the \$4,900 this year that we paid for each beneficiary per year and let that be used by that individual, by their own free choice, to buy a managed care plan if they want to do that; let them roll their own dollars by giving them the \$4,900 to put in a medical savings account; or, lastly, that they could keep a plan that they had where they last worked, like a union or association plan. That would be a choice that the individual Medicare enrollee could choose to do. You could choose to do that once a year. You could choose to leave the traditional Medicare plan and go into a managed care plan for a year. If you did not like that, come back to Medicare, or go over to a medical savings account, or go over to an association plan that you might want to have.

We responded to that. It was in the Balanced Budget Act of 1995 that we sent to the President a month ago, the same one that the President vetoed.

Mr. President, the Senate majority leader would like to have me yield. I yield as long as I do not lose my right to the floor.

A STEP IN THE RIGHT DIRECTION

Mr. DOLE. Let me indicate that the President did call both myself and

Speaker GINGRICH this afternoon about 3 o'clock. Without getting into the details of what the conversation was, I am pleased that the President indicates a willingness now to accept our invitation to get serious about the budget and balance the budget in 7 years.

I will be meeting with Speaker GINGRICH a little later this evening. I think the President's call does demonstrate that he has at least heard our pleas over the weekend and indicates a willingness to talk about a balanced budget in 7 years, using CBO figures. Of course, he has certain concerns that he feels are a priority, and we have concerns we feel are a priority. I will not get into what we discussed about those but to say I think it is a step in the right direction.

I want to thank the President for agreeing to sit down with the principals because I think it is time the principals become involved. It is time for adult leadership. It is time for us to start making decisions.

The American people want a balanced budget. They know the benefits of a balanced budget, what it means in interest rates, what it means when you buy a car, borrow money for a student loan, buy farm machinery, a home, whatever. That is the purpose for this struggle for a balanced budget and why we feel so determined it should be done.

Hopefully, there will be discussions yet today, but if not tonight, at least tomorrow.

Mr. GRASSLEY. Mr. President, I believe I will yield the floor. Based upon what the Senate majority leader has said, if the President is going to start to sit down and negotiate the way he signed into law November 20 from the point of view of submitting a balanced budget, scored by the nonpartisan Congressional Budget Office—at least that is the first good news we have had of reaching an agreement—there is no point of my taking any more time to point out the shortcomings of the White House in not living up to the November 20 agreement that they said, albeit today, the 18th of December, November 20 until now, would be 28 days. This was all supposed to be done by September 15. I am happy to know the President would take that initiative and that we will avoid the rhetoric and get down to real negotiating within that boundary of a balanced budget, scored by the nonpartisan Congressional Budget Office.

I do want to complete one point. I started the point on Medicare because I wanted to point out where the President had been condemning us, as cutting Medicare. This chart, again, is just illustrative of what the Senator from Utah has already said about 45 minutes ago. We are right now spending \$178 billion on Medicare; we are going to gradually increase that expenditure up to \$290 billion or thereabouts, maybe a little over \$300 billion by the end of this period that it takes to balance a budget.

There is no way that in the Midwest where I come from any taxpayers that I am ever going to talk to are ever going to consider that to be a cut. Just in case, for people who are cynical about those of us in Congress—and there is plenty of reason to be cynical, I know—I want to quote what President Clinton had to say about cuts versus increases like this. He was referring to increases like this, but he was evidently having somebody say you are cutting Medicare. This is what the President said on October 5, 1993, when he was commenting about the opposition of his saying he was cutting Medicare.

Medicare is going up at three times the rate of inflation. We propose to let it go up two times the rate of inflation. This is not a Medicare cut. So when you hear all this business about cuts, let me caution you this is not what is going on. We are going to have increases in Medicare and Medicaid, and a reduction in the rate of growth will be more than overtaken by new investments that we are going to make.

That is the President as reported on "MacNeil-Lehrer News Hour," October 5, 1993.

Nobody who is intellectually honest, if you are increasing things twice the rate of inflation—Republicans are doing that, the President proposed to do that—if it was not a cut in 1993, it is not a cut in 1995. If we are going to be sitting across the table from each other negotiating, we ought to be able to do it in an intellectually honest way.

This is what the facts are, Mr. President. The facts are that we are very dramatically increasing Medicare. It is not being cut. It is often being increased at the rate of inflation. If anyone wants to know how billions of dollars affect them, they are getting \$4,000 a year now, per beneficiary, per year, of Medicare recipients. This year, it will be \$7,100.

I hesitate to say that because there are a lot of constituents out there like the one that the Senator from Utah read to us about who are going to be mad because we are not even freezing this. There are very dramatic increases.

I thank the President for coming forth. I hope this time we see real negotiations.

The PRESIDING OFFICER. The Senator from Utah.

Mr. BENNETT. Mr. President, I ask unanimous consent I may proceed as in morning business for up to 10 minutes.

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

BUDGET PROJECTIONS

Mr. BENNETT. Mr. President, at one point in my business career I was called upon to act as a consultant to a firm that was having difficulties. In Washington language, it had a deficit. In the language of the business world, it was losing money.

I sat down with the CEO of this company and we looked at the coming year

and he had, as is always the case in an accounting circumstance, the figure of what it was going to cost to keep the company doors open throughout the year. The cost was going to be x number of dollars every month to meet the payroll, pay the overhead, the gas bill, the light bill, the rent, et cetera.

I knew what the margins were. For those who are not acquainted with accounting, "margin" means that portion of the sale price of your goods that is not covered by the cost of goods. If you are selling a widget for a dollar and you buy the widget for 60 cents from the widget manufacturer, your margin is 40 cents, or 40 percent. This was a manufacturer, so he had a pretty good handle on what his costs were for his particular widget. He knew what the sales price was.

I looked at the size of his margin, as I recall it was around 30 percent, and then multiplied the number of widgets he was going to sell over the year by 30 percent and said to him, "The total margin that you have for the year is not enough to cover the monthly expenses that you have in overhead to keep this place open. That is your problem." It did not take an MBA from Harvard to figure that one out, but that is the problem.

He came back a little while later and he had new projections. I looked at his numbers and I noticed that he had done nothing to cut the monthly expenses but he had raised the estimate of his sales. Now, 30 percent of that sales number was a number big enough to cover the monthly expenses.

I said to him, "How did you get there? This is wonderful. You now have a projection that shows you are going to make a little money this year."

He said, "Well, I went back to all the salespeople and I told them that they were being too pessimistic and that they needed to take another look at what they might be able to sell. And every one of them responded wonderfully to my pep talk and everyone said, 'We are going to sell this much more, we are going to sell this much more.' And now, you see, my company is projected to make a profit."

I said, "That's terrific."

And he said, "Oh, I did something else. I raised the prices on some of my products. So a product that costs me 70 cents to make and I sell for \$1 and I have 30 cents of margin, now I am going to sell for \$1.10, so I have 40 cents of margin. So, the combination of increased prices and increased projections brings my proposal for the coming year into balance and we are going to make a profit this year."

The first month passed. I looked at the reactions for the first month. His costs were right where they said they would be. But his sales were a little low.

"Well," he said, "we had bad weather in January. You cannot expect January to be the real test. Wait, we are going to do just fine."

February came in. His costs were right where they said they were going to be, but his sales were a little low.

"Well," he said, "we had a little trouble in February. We had difficulty with suppliers and so on."

I went out to talk to some of the people who were actually selling the product and I said, "What is happening?"

They said, "For one thing, we cannot get the increased prices. The customer won't pay \$1.10 for these widgets. The customer is used to paying \$1, and furthermore, the widget seller down the street only gets \$1 for these widgets, so in order to get any sales at all we have to give back this price increase. It is there in the projections but it's not there in reality. Furthermore, the increased optimism in sales did not come to pass either. We are selling at the same rate we sold last year."

I sat down with the CEO and I said, "You now have 3 months in for the year. If you take the sales pattern for those 3 months and extrapolate it over the whole year you are going to lose \$1 million this year, if you do not take \$1 million out of your monthly costs."

Well, taking \$1 million out of his monthly costs meant firing some people. He said to me, "Some of these people have worked at this company for 20 years." He said to me, "Some of these people are my best friends. I have worked at this company for 20 years along with them. We socialize together. Our wives know each other. I cannot do that. They will lose their jobs."

Mr. President, the year went on. At the end of the year the company lost \$1 million. And I said, "What are you going to do next year?"

"Oh," he said, "we are going to tighten down. Oh, boy, we are going to solve this problem." And the next year the company lost \$3 million. Because they tried the same solution. Change projections and raise the prices but do not deal with your structural problem.

Does this sound familiar, Mr. President? I believe it is the description of what we are seeing with our Government right now. They look at the structural costs and they say: We cannot do anything about these structural costs. Let us change the forecasts to be more optimistic, like the forecasts of the sales force, and let us raise our prices, only in Government the way you raise prices is to raise tax rates.

The reason I harp on that is because—I gave a speech on this earlier but I think it is worth repeating—Marty Feldstein, the economist, did a study and an analysis of the President's tax increase passed in 1993. I put the analysis in the CONGRESSIONAL RECORD. People can find it. He analyzed the revenue derived from that tax increase and found that it was one-third the amount projected. Just as in the case of my business friend, the people would not pay the extra price that he put on his product, so the people in the economy, when faced with increased tax rates, changed their behavior, changed their investment pattern,

and did not pay the taxes that it was projected that they would. And, according to Dr. Feldstein, the revenue coming in to the Government was one-third the revenue projected at the time all of this was made.

Why is all of this important? Because right now one of the things we are arguing about is who gets to make the projections? We are saying it ought to be the Congressional Budget Office. The President is saying no, he wants to be like my businessman friend and have his own sales force make the projections because it will make it look better.

People say to me, how can you be sure that the Congressional Budget Office numbers will be right? I can be absolutely sure that the Congressional Budget Office numbers will be wrong, because nobody on this planet has the capacity to look 7 years ahead and tell us what is going to happen to the economy with any degree of absolute certainty. The best we can do is guess. And the Congressional Budget Office numbers are better guesses than the Office of Management and Budget numbers, but they are guesses nonetheless. So, we must recognize that going in. But guesses are made and then people go ahead and do the best they can.

In the case of the business I have talked about, investors took one look at the accuracy of the guesses that were being made and they made an investment decision. They sold the stock. And the price of the stock went down.

That is the key to this whole debate, Mr. President, because up until now the market—that is, the people that do the trading on the bond market, the people that do the trading on the stock market referred to collectively as the market—has looked at the numbers and the projections, and the suggestions that have all come out of this Congress. They have bet that it is all going to work, that the Republican proposal is going to pass, that we are going to get a balanced budget, that we are going to get the benefits that the Senator from Iowa was talking about, and the stock market is up 40 percent year over year, and the bond market has seen interest rates drop 2 full points since the Republicans were elected in November of 1994.

Over the weekend when the President did not come forward with a proposal, and when the congressional leadership responded by saying there is no point in talking anymore, for the first time the signal was sent to the market that the fix might not occur. And today the stock market dropped 100 points—just as the investors could not tell with any exactness how much money the company I was talking about was going to lose but they could sure tell the trend, and sold the stock on the trend.

The market today cannot tell us with exactness what is going to happen in 7 years. But they are worried about the trend. And the trend is signs of business as usual around here, signs of solving the budget balance issue by

changing the forecasts around here, signs of talking about the thing being taken care of in the outyears, and no action being taken right now around here. And they do not like it, and they are selling the stock. They are selling their investment in America because they believe for the first time that we may not be successful in our effort to get a balanced budget.

I learned in private business that the market can be ruthless. The market can be unfair. But long term the market is the best barometer of all of what is finally going to happen.

We had a serious signal today, Mr. President. The market is telling us to get our act together, and make this happen—not with phony estimates, and not with price increases that do not ever come to pass in terms of actual revenue but with firm resolve to deal with the structural costs built into our balance.

I conclude, Mr. President, with this analogy that illustrates what it is we must do. I was watching television about a week ago. There was a tribute on television to the memory of the late Jack Benny. I remember laughing at Jack Benny when I was a preteenager. Some people may not remember Jack Benny. But I remember him very, very fondly. In this tribute to Jack Benny they told a classic Jack Benny joke. Jack Benny, as you will recall, Mr. President, built his persona around his stinginess and his unwillingness to spend money.

So here is the joke. Jack Benny went in to see his doctor. And the doctor looked at the x rays and said, "Mr. Benny, you need an operation, and it is going to cost you \$400." And Jack Benny responded by saying, "Doctor, for \$25 can't you just touch up the x ray?"

Mr. President, that is what we are being told now. "Can't we just touch up the estimates? Can't we just touch up the forecasts, and avoid the pain of actually having to deal with the balanced budget? After all, we have been doing that for 35 years."

You can find Presidents, Republican and Democrat, all the way back to Harry Truman who have promised balanced budgets sometime, promised balanced budgets in the outyears, promised balanced budgets down the road, far enough away that, if you just touch up the estimates a little, we can convince ourselves that we do not have to do anything now.

Well, Mr. President, we do. And it is wonderful to say touch up the x ray for 25 bucks. But the underlying problem that the x ray tells us about is still there, and the operation dealing with it is still required. And if ever there was a signal coming to us as strong as anything that the retribution for our failure to act will be severe, it was in today's 100-point drop in value in the Dow as the market says for the first time we are beginning to get nervous about your willingness to do what you have said you will do.

If it is necessary for us to be here on New Year's Eve, this Senator will be here on New Year's Eve. My wife is not going to be happy to hear me say that because she is in Utah, and I am not too happy about her being there alone because she has the credit cards, and she is doing all of the shopping. But if that is what it takes, that is what we will do because the stakes are too high, and the eventual responsibility is too great for us today.

Mr. President, I yield the floor.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I ask unanimous consent to proceed as if in morning business.

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

THE BALANCED BUDGET

Mr. KENNEDY. Mr. President, I have listened with a great deal of interest to my good friend, the distinguished Senator from Utah, and my friend from Iowa as well, talk about the challenges that we are facing on the balanced budget.

I am always mindful of the fact that under the recommendations of President Clinton in 1993 we saw an \$800 billion reduction in our deficit. So we have someone who has been serious about trying to do something and has a record of achievement.

Still out there—in terms of the proposals that are advanced by our good friends and colleagues—I was listening carefully to see if they would talk about their tax cut of \$245 billion and the additional kinds of costs that are going to be out there for our elderly people of \$275 billion. That is still out there, and still on the table. It is a central part of the differences which are out there. The fact that there are those on the other side of the aisle that want to use those Medicare savings for tax breaks for the wealthiest individuals has been talked about. It is an issue. We do not hear a great deal of discussion about it on the Senate floor today, or this afternoon, or even by the negotiators, and the benefits that will go to the wealthiest individuals.

Also, there is a significant tax increase. We do not hear very much about that. Who is the tax increase on? It is on those workers who are making \$28,000 a year or less. We hear often expressed here on the floor of the Senate by our good Republican friends saying let us get more money and put it in the pockets of the people at home who know better how to spend it than the Federal Government. I do not understand why that argument does not go for working families in this country, those that want to work and provide for their families. They have some EITC, the earned income tax credit, basically trying to help working families who are moving out of the challenges of the economic stagnation which is taking place today to help offset some

of the increases in Social Security and Medicare figures—some \$32 billion to \$34 billion tax increase on those working families. We do not hear very much about that.

That really gets to the heart of the difference. That is, can we have a program—and I believe that we can—that will balance the budget in 7 years, and also meet the fundamental test of fairness.

As the President has pointed out, and any one of us can point out, anyone can reach a balanced budget just by slashing and cutting—cutting Medicare, cutting Social Security. Oh, yes. That is what we are doing in cutting Social Security when we talk about collapsing the COLA for our senior citizens. That is what we are talking about. We are talking about real cuts in Social Security—cutting back on the protection for children, cutting back on the nutrition program, cutting back in immunization programs, cutting back on day care programs for working families that are trying to make ends meet. This is about priorities. I think that the President has stated not just his priorities but the American people's priorities in terms of placing high on that list of priorities the interest of our seniors who receive Medicare.

Let us not forget about the average person that receives Medicare is 73 years old, more likely than not a widow, is receiving about \$10,000 a year of which their health care costs are about 20 percent of that out of pocket, living alone with diabetes or arthritis and probably very cold alone over these past few weeks, when we were trying to find some release and opportunity if they are living in the colder parts of this country because of the drop in temperature and the failure of funding the fuel assistance program. Eighty percent of that fuel assistance goes to families with \$10,000 a year or less in income.

That is who we are talking about. Those are real families. Those are real people. I am worried about the stock market, but, quite frankly, I am worried about the senior citizens. I am worried about the children. I am worried about the young people who want to try to go on and receive an education. I am concerned about that worker, to make sure that work is going to be respected and recognized and rewarded here in the United States. We have done that under Republicans and Democrats in the past.

Yet, we are seeing all of those interests challenged under the proposal basically, what I consider a scorched-Earth policy in terms of the Republican balanced budget amendment. I think all of us welcome the new opportunities and the new advances that the President is making. I was listening to the importance of maybe staying here New Year's Eve. Many of us were meeting all afternoon on Sunday and Saturday as well in trying to find some common ground. That is certainly what the President is interested in. We joined