

For David Kessler, the first priority was always the public health. He used his brilliant intellect, his boundless energy, and his unparalleled commitment to serve that great goal. He represents the best in public service. It has been a great privilege to work with him, and I wish him well in the years ahead.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. GREGG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. KEMPTHORNE). Without objection, it is so ordered.

Mr. GREGG. Mr. President, may I ask what the parliamentary status is?

The PRESIDING OFFICER. Morning business recently expired.

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

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

THE AMERICAN PRODUCTIVITY RENEWAL PACKAGE

Mr. GREGG. Mr. President, I want to speak about a series of initiatives that I have introduced to try to address what I see as the major public policy concerns as we move into the next century, on the fiscal side of the ledger, that affect people in their lives.

As we move out of the 20th century, we have seen a period where, certainly throughout most of the 20th century, there was a sense that, through a centralized Government, through an economy dominated by a Government, you could manage the lives and affairs of individuals and improve their lifestyle. Of course, the most exaggerated example of this was communism and the Russian revolution, which began the major Communist state of this century or any time. And it did not work. One of the great truths of the 20th century, of which there have been about three, one of the great truths is that communism—the concept that the state can manage the marketplace and make people better off by requiring that people function under a top-down system where their lives and their style of economic production is controlled by a central mechanism—simply does not function effectively. Instead of producing prosperity, it produced despair. Instead of producing freedom, it produced totalitarianism.

So, one of the great truths that has come out of this century is that capitalism works, that the free market works, that giving the individual the incentive to be productive, by allowing the individual to retain a large amount of the product of their work, is something that produces prosperity for the individual and, as a result, produces prosperity for society. And a prosperous society is a freer society, we

have also learned that. That is the second truth.

Yet, our Government continues to function, even here in the United States, with a hybrid of the theory that a centralized decisionmaking process can handle major social and economic issues more effectively than the marketplace can handle them or the individual can handle them. In the 1930's and 1940's, we as a nation, our intellectual community, especially the Northeastern intellectual community, was caught up in the concept that you could manage almost every major social and economic problem from the top down. We were caught up in the concept that a few good minds put together in a room, thinking, could resolve issues of major concern for the society at large, especially fiscal issues.

This led to a centralization of decisionmaking here in Washington throughout the 1950's, 1960's and 1970's, which reached its peak in the early 1970's, and gained momentum from that peak throughout the 1970's until the arrival of Ronald Reagan, who said, "Let's stop and think a minute as to what we have done here and whether it has been successful."

The conclusion was that many of the decisions to centralize the process of policymaking in the hands of a few here in Washington simply was not working, that it was not producing a resolution to the problems that were at the core of our society, and especially it was not helping the prosperity of the Nation and individuals who lived in the Nation in many ways. So, we have, as we move toward the end of this century, come to the conclusion that maybe a centralized Federal Government is not all that effective in solving all of our problems; maybe we should slow the rate of growth of this Government and return authority to the people and to the States. And that, really, is what the Republican revolution has been about.

If we take that as true, and I do happen to believe that is one of the things that has been proven by time, now—it is not a question of philosophy or theory any longer, it is a time-tested, proven event—then we still have some major issues to address, because some of the most significant social/fiscal issues which we have as a country today are still being driven in their policies as to how they are resolved by these concepts which came out of the thirties and the forties and the fifties of centralizing the decision in Washington and making the process of addressing those decisions a Washington-driven one.

The three issues that are at the core of this, the three concerns that we as a society must have, from a fiscal policy standpoint—I am not talking about social policy; there are a whole set of other issues dealing with social policy—but from a fiscal policy standpoint of how Government deals with major issues, the three core concerns which

we must have, as we head into the next century, are, one, how do we deal with Social Security; two, how do we deal with Medicare, which is a health care component for our senior citizens, and Medicaid; and three, our tax laws, how do we structure our taxes?

All three of those issues, all three of those functions of Government which deal with the broad spectrum of the quality of life of a vast majority of Americans, are now dominated by a philosophy which grew out of the thirties, which was that a centralized, Government-decisionmaking process can better manage these systems than a decentralized, marketplace-driven approach.

As a result, we have some chaos headed our way. We know that, under the present Social Security system, as a function of its present rate of return on investment and as a function of demographics, the system goes broke, taking the country with it, starting in about the year 2010. It goes broke in about the year 2020, but gets into what one might call a fiscal spiral beginning about the year 2017 which is not reversible.

This is driven by the fact that returns on investment in Social Security dollars put into the trust fund have been extraordinarily low. They are basically a rate of return set by the Federal Government on special bonds given to the Social Security fund, which is where the Government borrows.

Second, we have a population shift in this country, which is a function of the postwar, baby-boom generation, where we now have 3½ people paying into the system for every 1 person taking out, and in the year 2012, we will have 2 people paying into the system for every 1 person taking out, and this cannot support the present benefit structure when you have such a change.

In addition, there is the fact that people are living longer. When Social Security was first created, people lived to be 61. The time was set at 65. That was Franklin Roosevelt's choice. He was no slouch and understood actuarial tables. Today, people live to be, on the average, male, 72, female 78, and it is going up.

So we have a Social Security system which we know is headed toward bankruptcy due to demographics and due to the fact there is no prefunded system. It is a pay-as-you-go system with a very low rate of return on the investment.

Then we have the Medicare system, which is going broke, managed by the Federal Government. Basically, it is a Federal Government program, single manager, single opportunity for seniors. They have to buy fee-for-service delivery. They have to buy a certain set of benefit structures. That system is going to go broke in the year 2001 at the latest; probably in the year 2000, only 3 years from now.

It is going to go broke because of the fact that it is a system which is using

a 1960's model of health care delivery in the 1990's. It is a system which still relies on fee for service when, in fact, we know that in the marketplace today, very few people use fee-for-service health care. Most people choose some sort of fixed-cost, prepaid health care plan, whether it is a HMO, PPO, PSO, or whatever. They choose some sort of alternative rather than going out to a doctor on a cost-plus basis who refers you to another doctor on a cost-plus basis, then refers you to another doctor, which is what the present system does.

It is a classic program which was designed by Government bureaucrats in the 1960's which was probably outdated even then, but which has clearly not been updated for the 1990's and is going to go broke in the year 2000 because it is not structured for these times. That is the second system which represents a major issue of fiscal policy.

Between those two, Medicare and Social Security, they will be accounting, between them, for almost 50 percent of the Federal budget by the year 2000, and by the year 2017, if you throw in interest on the Federal debt, they will be counting for all the revenues of the Federal Government. That is their size and their impact under their present structure.

The third issue, of course, is our tax laws. Our tax laws are, again, a centralized decisionmaking process where we in Washington, a group of elite in the Government, choose winners and losers in the marketplace. We choose that this type of market activity will be a benefit and that type of market activity will be penalized because, for some reason, we think we can think better than the marketplace and individuals can think on how they should invest their money, and tax laws are structured to be a top-down, centralized, essentially Government-driven exercise in managing the marketplace through the Government. Of course, nothing affects the prosperity of a country more than the level of taxation and the manner in which you tax.

So my representation is this. I have put together a package of bills which I call the American productivity renewal package, which addresses these three core issues of fiscal policy from a marketplace approach, instead of using the dynamics which have dominated these policies since the thirties, which is a Government-driven approach and which is a centralized-planning approach. Instead of using that approach, which has clearly failed and which is predicted to be a catastrophic failure as we move into the next century, I am acknowledging the fact, the truism of the 20th century, which is that the marketplace, not the Government, is the primary provider of prosperity within a society.

These three proposals which I put forward involve, first, in the Social Security area, that we recognize that you cannot have a pay-as-you-go system with an unfunded liability of \$3 to \$4

trillion and an aging population that is exceeding the ability of the working population to pay for it and expect that system to survive. So what we need to do is to create a better return for those younger people who are now paying into the system on their savings. We need to be able to say to the working American who is under the age of 45, "In order for you to get a decent Social Security retirement, we are going to have to have you earn more money on the dollars that you pay into Social Security and, more important, we are going to have to give you the ability to identify those dollars to yourself."

Today under Social Security, if you pay a dollar in, the dollar goes out. You have no account. There is no savings account which says, "Bob Smith" or "Mary Jones" on it. It is basically a dollar in, dollar out, and, as a result, you have this huge unfunded liability.

We need to prefund that liability, No. 1, so that people can have their own savings account designated to themselves. And, second, we need to allow people to get a better return than what is presently occurring under the present system, which is about a 3 percent rate of return, which is not inflation adjusted, so if inflation is more than 3 percent, it is no return at all. We need to allow people to get a better rate of return.

What my proposal does, in the Social Security area it says today Social Security is running a surplus. It is running about a \$29 billion actual surplus. It actually has about a \$70 billion surplus, but half of that is interest which the Federal Government is paying on debt, so it is, basically, paying interest to itself. But there is actually about a \$29 billion real surplus in Social Security, which represents about 1 percent of the 7.5 percent payroll tax people pay.

So what my proposal says is that, rather than paying a 7.5-percent payroll tax, people will only have to pay a 6.5-percent payroll tax. They will get that percentage back, that percent difference back. They will have the right to take that percentage difference and invest it in a savings account or some other vehicle that allows them to produce income for their retirement.

It will have to be a retirement account, like an IRA. And the practical implications of that are two: No. 1, people will start to generate a nest egg for retirement that will be real, that they will be able to look at every year when they get their statement; it will be there, and it will be able to generate a better return than 3 percent. And, No. 2, it has no impact on present-day Social Security recipients or people who would be receiving Social Security who are over the age of 45, because we are now running a surplus and we could pay the cost of their Social Security benefits without impacting them with this type of private account. It is using the marketplace and recognizing that the marketplace must be used to

prefund the liability of Social Security.

In the area of Medicare, this package of bills does something called choice, where essentially we say to the senior citizen, rather than having a program where the Government tells you who insures you, we will give you a program where, like a Member of Congress or a Federal employee, you can go out and choose who would insure you. They would have to give you a certain set of benefits and the benefits will have to at least equal what you are presently getting under Medicare, but you will be able to choose the benefit package you feel best meets your needs—you, the senior citizen. You will not be limited to one choice or, at most, two choices, which, at present, the present Medicare Program has.

Equally important, what we are going to say to the senior citizen is, today it costs, for example, \$4,800 for a senior to be on Medicare. To the extent that a senior can go out and find a health care plan which gives the basic benefits of Medicare, maybe even more benefits, but gives it to them for less than \$4,800—say, \$4,500—we will let the senior keep the difference, or at least 75 percent of it, that \$300 between \$4,800 and \$4,500.

What does this do? It creates three marketplace forces which will lead to making the Medicare system more solvent. No. 1, it means the senior becomes a cost-incentive buyer of health care. They think about where they are going to buy their health care. Granted, people who are already in the system who are in their late 70's or 80's probably are not going to change. But you have a whole group of seniors coming into the system who have been used to looking at a variety of health care options, so they will be comfortable doing this. But getting that 75 percent back of your savings makes them cost-incentive buyers.

No. 2, it will create a marketplace which will compete for the seniors' dollars. Because, believe me, there are a lot of health care providers who deliver high-quality health care who would be very excited about the chance to buy into this.

And, No. 3, it gives the Federal Government a predictable rate of growth as to how much health care is going to increase in Medicare accounts. And we, in order to make the trust funds solvent, do not need to cut Medicare. All we need to do is slow its rate of growth to about 7 percent, 6.5 percent—what is now a 10-percent rate of growth. That rate of growth, by the way, is still twice the rate of inflation and a multiple of 5, possibly, the rate of health care inflation.

So this creates a marketplace atmosphere around which Medicare would compete and around which seniors could participate in their health care system and which would control costs and which would give seniors more choices than they have today, more options in health care than they have

today. It recognizes the fact that, you know, a 1960 system, where the Federal Government basically picks who you can have health care with, simply does not work. You have to use the marketplace.

The third element of this American productivity renewal package is to look at the tax laws and acknowledge the fact that the tax laws are arbitrary. They are as arbitrary as some bureaucrat in Washington could possibly make them, or some Member of Congress could possibly make them. Why should somebody be a winner and why should somebody else be a loser under the tax laws? Simply because a Member of Congress or somebody at Treasury decided unilaterally to affect the marketplace by making the decision that this person will be a loser and this person will be a winner, that is not right. That perverts the flow of capital; it perverts investment; it perverts the manner in which people go out and make decisions in the marketplace. It causes an inefficient use of dollars that are used to create capital and create savings.

So we need a flatter system. We need a system that eliminates the vast majority of the deductions and says to the taxpayer, "You can fill your form out on one page, one postcard, and in doing that, we won't control how you make decisions with your money. We'll take your taxes still, but we won't control whether or not you invest in this item or that item. That is simply a decision as to whether or not you're going to get better or worse tax treatment." And, thus, capital will flow much more efficiently to those items which are most productive and those items which will create the most prosperity, because that is the way a capitalist system works and a marketplace system works.

So by addressing these three core issues of fiscal policy from a marketplace approach as versus from a centralized planning approach, which is what has been done for the last half century, we can, I believe, ready ourselves for the next century, make this country more competitive, and, most importantly, put the country in a position where our children will be assured that we are going to be a fiscally solvent place and a prosperous place for them to raise their children, rather than a place subject to the vagaries of a huge Government debt and inflation that would cause a bankruptcy of the Social Security system.

Mr. President, I appreciate your time. I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ENZI). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. THOMAS). Without objection, it is so ordered.

(The remarks of Mrs. HUTCHISON pertaining to the introduction of S. 411 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mrs. HUTCHISON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. GRASSLEY. Mr. President, I ask unanimous consent to have 7 minutes as in morning business.

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

IT'S FOR KIDS II

Mr. GRASSLEY. Mr. President, in December, the Department of Health released annual figures on teenage drug use. As in the preceding 3 years, what the numbers showed was a continuing, alarming increase in teenage drug use. The number of eighth graders using any illicit drug in the year before the survey has almost doubled since 1991, from 11 to 21 percent. The proportion of increased use among 10th graders has risen by almost two-thirds, from 20 to 33 percent. It has risen by almost 50 percent among seniors in high school, from 27 to 39 percent. Stop for a minute and think about the reality behind the numbers.

One in every five 13 year olds has used an illicit drug in the last year. One in every three 15 year olds and close to two of every five seniors have used drugs. Marijuana use is leading the way. Regular use of marijuana by kids is on the rise. Nearly 1 in every 20 seniors now uses marijuana daily. We know from bitter experience, that marijuana use, especially regular use, increases dramatically the likelihood of further, more serious drug use. We know only too well that such use leads to dramatic increases in addiction, violent crime, treatment dependency, and a cycle of hurt that can endure for years.

Moreover, the recent survey reveals that teenage attitudes about the dangers of drug use are also changing—for the worse. An increasing number of young people at younger ages no longer see drug use as dangerous.

Just this past Tuesday, the Partnership for a Drug Free America released information that showed that kids at younger ages, including kids in fourth, fifth, and sixth grades, are starting to try drugs.

We have not seen increases in use or changes in beliefs about the dangers of use like this since the late 1960's and 1970's. Those of us who are adults today know what that increase in use and changes in attitudes did to this country. We are still living with the consequences of social attitudes that le-

gitimized drug use. We are still paying the costs to treat the addicts that began as teenage users then.

Let's remind ourselves of a simple truth. The most likely users of drugs are kids. Not adults. Not grown men and women. Not our peers and friends and colleagues. Not our business partners or professional associates. Kids. It begins with kids. Most addicts today began as teenagers. Most addicts tomorrow will begin as teenagers or younger. And whom do the pushers of drugs target? Kids. Whom do the purveyors of drug messages in our movies and popular music target? Kids.

You do not have to go very far to discover why. Young people are more vulnerable to messages that would have them test limits. They are less aware of long-term consequences for present acts. They are more easily influenced by peers and fashions. It is our kids that are most at risk for messages about drug use. It is in order to protect kids that we take steps to control drugs in our society. Even the majority of the most ardent legalization advocates do not advocate drug use by kids. Most of them draw the line at that. Most.

But our problem lies in this. We cannot be halfhearted and ambivalent in our counterdrug messages if we are to tell our kids not to use drugs. We cannot, on the one hand, make drugs readily available and condone their use by law and custom and keep them from our kids. We have ample evidence of this in legal drugs, in the problems of teenage use of alcohol and tobacco.

But I am talking about substances that are far worse and more dangerous. We cannot afford to make these drugs part of our daily lives. The public is aware of that. They oppose it. But what we see is a growing effort by a few to get around that opposition. Ultimately they are not likely to succeed. But they can and have so muddled the public message as to send mixed signals to the very people we want to protect. Kids.

From music to videos to movies and political campaigns, we are seeing efforts once again to glamorize drugs. We are seeing opinion leaders and members of our cultural elite portray drug use as simply a personal choice that is harmless and benign. Many of these individuals act as if the only issue is for responsible adults to decide for themselves. They speak as if it is only adults that we need to think about. This, however, is not in fact the case.

If you do not believe this, talk to parents. Talk to teachers. Talk to the health and law enforcement professionals who daily see the consequences. Most important, listen to what kids are telling us about what is happening in their schools. To their friends.

Like other Members here, I receive mail from many people. Among them are our young people. Their letters are full of concern and hope. One of the concerns is about drugs in school. Thus Byron, 14 years old, writes, "As I have