

to this floor and just ignore it? I mean, you talk about the Enronization of the budget process. This is it. Shifting offshore. Taking it off budget. Hiding it.

Well, we will be back next week to talk about that. But tonight, I appreciate the gentleman yielding to me. The gentleman is a true leader of fiscal responsibility in this body, and it is a pleasure for me to join with the gentleman day after day in proposing what we believe are some of the better solutions.

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When one is in the minority, one loses. But every now and then, as we showed on the farm bill, if we work with the other side, we find that you can get bipartisanship. It was not by accident that we got 290 votes for the farm bill. That is what we ought to get on the budget next week. But if they ignore us, they will not do so. If they want to increase our Nation's debt without a new plan, count me out.

Mr. BOYD. Mr. Speaker, I want to thank the gentleman from Texas (Mr. STENHOLM) for his leadership on the budget issues. The Blue Dogs have written a budget every year since I have been in the Congress. The first year was 1997. That actually was the year, as the Speaker may recall, that the historic Balanced Budget Act, the bipartisan act, was negotiated between the Republican-controlled House and Senate and the Democratic administration. That plan was a wonderful plan that got us into balance, and now we are headed in the opposite direction.

Mr. Speaker, I yield to the gentleman from Arkansas (Mr. BERRY).

Mr. BERRY. Mr. Speaker, I thank the distinguished gentleman from Florida for the great job he has done in his leadership on budget matters and many other things, and the courageous stand that he takes, and also my distinguished colleague, the gentleman from Texas (Mr. STENHOLM). He has been working on these issues for all the time he has been in this body, and we all appreciate his leadership.

The first thought that comes to my mind is this time last year the Blue Dog Coalition extended an opportunity to the administration, and we said we wanted to work with them. We want to do the right thing. We want to have a balanced budget, and we want to have tax cuts. We want to pay off the debt.

They sent the director of the Office of Management and Budget to us. He said, we really do not need you. We can do whatever we want to do. We are in the majority, and we are going to pass this budget. We are going to do it like we want to do it. We will listen a little bit, but we have plenty of money. We have so much money that we are more worried about paying off all of the debt than we are what we are going to pass on to our children, which is a great debt, it has turned out.

I would beg the administration and the Republican majority, please do not do this to our children and grand-

children. Please do not continue to run up debt and spend the Social Security and Medicare trust funds, and force our children into a totally impossible fiscal situation in this country 15 years from now.

Please do not do that. Work with us. That is all we are asking. Sit down and work with us. Be honest, and give us a plan so we do not destroy the future of our children and grandchildren. We want to work with them, and it just does not make any sense what we are doing.

We took \$5 trillion last spring, piled it up in front of the United States Capitol and burned it. Now we are acting like that money is still there. We continue to spend the Social Security trust fund. We continue to spend the Medicare trust fund. We continue to borrow money to operate on, to pass this debt on to our children and grandchildren. It is not right. We should not do it. If we were not building up more debt, we would not need to raise the debt ceiling. It would not be necessary.

So all we ask of them is, give us a plan. Let us work with them. We all want to do the right thing.

Mr. BOYD. Mr. Speaker, I thank the gentleman from Arkansas.

In closing, I just wanted to say that we are all aware, and I hope that the viewers, our listeners, our constituents, are aware that late last year the Treasury Secretary, Mr. O'Neill, formally requested that Congress increase the statutory debt limit by \$750 billion, from the current level of \$5.9 trillion to \$6.65 trillion.

Mr. Speaker, this request comes a full 7 years earlier than the administration had predicted when it presented its budget 1 year ago. Again, I would say this budget, this debt limit increase, comes a full 7 years earlier than was predicted by the administration when it presented its budget to us 1 year ago.

Mr. Speaker, I tell my constituents back home every chance that I have to speak to whatever group it is that we are the most fortunate and blessed people in the world. We live in the greatest country in the world. We are the economic leader of the world. We are the richest country in the world. This country has 5 percent of the world's population and 25 percent of the world's wealth.

We are the military leader of the world. All the other military hardware of the countries, all the countries around the world will not stack up to the firepower that this Nation has at its disposal.

We ought to be able to figure out a plan to pay our bills. We ought not to have to dip into the Social Security trust fund to pay our operating bills. That is all that we are asking this administration and the majority, the Republican majority in the House, to do is to sit down with us and let us work together to develop a plan to get us back into balance with our Federal spending before we raise the debt ceiling.

Mr. Speaker, I thank the members of the Blue Dogs who have come here tonight and spoken so eloquently and succinctly on this issue.

THE PROBLEMS AND THE FUTURE OF SOCIAL SECURITY, AND THE COST OF DOING NOTHING

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

Mr. SMITH of Michigan. Mr. Speaker, following the presentation from the Blue Dogs, let me just say from our side of the aisle that the Blue Dogs have come up with some good, thoughtful ideas in terms of fiscal responsibility.

I think we have to be careful about not passing blame, and I would hope that as one of the three separate entities of government that our Founding Fathers set up, that we as a Congress would also take on some responsibility and not expect just that it is up to the administration to present us a plan of what is good for the future of this country. We also have that responsibility.

It seems to me, I say to the gentleman from Texas (Mr. STENHOLM), that if we are going to be honest with the American people, if we think that our problems today are so important that we have to borrow money that is in a sense a mortgage that our kids and our grandkids are going to have to pay back, then we should not do it by borrowing.

If we think what we are spending money on today is so important, then we should increase taxes and not try to hoodwink the American people into thinking the size of this government is less costly than it really is by sort of off on the side borrowing more money, where it is not quite as visible as quickly in terms of the obligation that people have to eventually spend to cover what we think is more important today maybe than what our kids and grandkids are going to be facing 20 and 30 years from now.

I would just like to call on the gentleman from Texas (Mr. STENHOLM) as we get into the Social Security debate, because he has been one of the leaders.

Before I do that, Mr. Speaker, I want to remind everybody what we did in 1998. At that time, we promised that there was going to be a balanced budget by 2002, and we did that predicated on an estimate that revenues in 2002 would be \$1.4 trillion. Now, what happens to revenues, just in the most recent projections this year and 2002, are that revenues are going to be almost \$2 trillion, so \$600 billion more than we anticipated in 1998 when we promised to have a balanced budget.

Even if we take \$40 billion out for the tax cuts and another \$30 billion out for the war on terrorism, there is still \$530 billion that was increased spending rather than lost revenues.

So part of the danger that we need to face up to is the propensity for Members of Congress and the administration to start new programs, to spend more money, because it tends to make us a little more popular. If we take the pork barrel projects home, we would probably get on television cutting the ribbons, et cetera.

I think the challenge is huge. I think we have to face up to both Social Security and Medicare. But tonight I want to concentrate on a discussion of what the problem is in Social Security, where we might go, and the cost of doing nothing.

Mr. Speaker, I yield to the gentleman from Texas (Mr. STENHOLM), who has been a leader in terms of trying to come up with a bipartisan effort to solve the Social Security problems. I would ask him to give us his best guess of what we should do to get both sides of the aisle together to help solve this problem.

Mr. STENHOLM. Mr. Speaker, I thank the gentleman from Michigan for yielding to me. I wish I had the answer to that question tonight. But certainly we cannot blame it on the gentleman and I, because it has been a pleasure for me to work with the gentleman, and with the gentleman from Arizona (Mr. KOLBE) and with our friend, the gentleman from Florida (Mr. BOYD), who has been a cosponsor of our bill, the proposal of which we believe should be seriously considered in fixing Social Security.

One of the things that we know is necessary is that any proposed fix has to be bipartisan. That is why I appreciate the fact that about 4 years ago, when the gentleman and I were joined together at that time in proposing some solutions, the gentleman's opponent attacked him and my opponent attacked me. I appreciate the letter to the editor the gentleman sent to my district saying, get off his back, because he is trying to fix a problem; and I did the same for the gentleman.

That is the spirit in which we have tried to operate. We hope we will get a few more folks beginning to acknowledge the fact, and this is a fact, no one disagrees that Social Security in its current form is not sustainable for our children and grandchildren. There is no problem with those on it today, but there is a problem for our children and grandchildren; and the longer we wait and the longer we wait, it makes it that much more difficult.

I know when I first got here in the Congress in 1979, 2011 was so far away we did not worry about it; but tonight, 2011 is 9 years away. That is why the gentleman and I have been trying to at least get the relevant committees to begin in a bipartisan way acknowledging some proposed solutions.

Mr. SMITH of Michigan. Reclaiming my time, Mr. Speaker, from the gentleman from Texas, do I understand correctly that between us we have 12 grandchildren? I have 10.

Mr. STENHOLM. If the gentleman will yield further, I have two.

Mr. SMITH of Michigan. Mr. Speaker, I have heard the gentleman say many times that, look, 40 years from now or 50 years from now or however long we might live, to have those kids come to us and say, look at the increased tax burden that you have put on us because you did not do anything back in 2002 and 2003, that should make every Member here feel a little bit more conscious of the obligations that we are passing on to those kids if we do not stand up to some of the tough decisions and correct the problems now.

I think that it is an easy issue to demagogue. Republicans say, well, maybe that Democrat would be vulnerable because there are so many seniors that are so dependent on Social Security, so if we can suggest that the gentleman from Texas (Mr. STENHOLM) is bad and might mess up the program because he is looking for a solution. And, of course, vice versa, Democrats could demagogue and say, well, Republicans are going to ruin our Social Security benefits. And with seniors, so many of our seniors that are so dependent on Social Security, we can understand their emotional concern even at the suggestion.

I do not know quite how we are going to stop the demagoguery. It will probably go on at least one more election. But somehow, the key is a better effort of informing the American people of what the situation really is.

Mr. STENHOLM. Mr. Speaker, if the gentleman will continue to yield, in the gentleman's opening remarks concerning our Blue Dog Special Order just before this, the gentleman seemed to have taken the opinion that we were beating up on the administration. That certainly was not my intent, but it was to consider the administration equally with the Congress in coming up with a solution. That is what we were trying to do.

In the case of Social Security, this is one Democrat who agrees with my President, what he proposed in the campaign and what I am ready to work with him on, on an individual account approach. I happen to agree with that. That is something that the gentleman from Arizona (Mr. KOLBE) and I share, and the gentleman from Michigan has joined with us in cosponsoring our one area. The gentleman has some different views, and I respect those, and the gentleman has some great ideas that need to be considered in this endeavor.

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I think it is important for the American public to realize that we can have differences of opinion, but we do not have to be disagreeable about it. Because I do not pretend for a moment that the bill that the gentleman from Arizona (Mr. KOLBE) and I put together is the solution, but we have been scored to do that which we all agree needs to be done, and that is to fix the problem, the unfunded liability of \$22 trillion. We take care of \$19 trillion of that, not a small amount of money in

this body, but the main thing is to start a dialogue; and that is why I appreciate my colleague inviting me to be part of his dialogue tonight, and I hope we can get more of this. We seemingly cannot get it done in the committees of jurisdiction.

Mr. SMITH. Mr. Speaker, titles often sell a book and they often sell an idea, but they also sell demagoguery. The word "privatizing" Social Security has not been my colleagues' intention in their bill. It has not been the intention in any of the four Social Security bills that I have introduced. The American people need to know that there is nobody suggesting privatization. There is a safety net in every legislation. In fact, in most of the legislation there is a promise of at least as much, if not more, of Social Security retirement benefits.

We just need to look at history, that every time Social Security has gotten into a problem, the tendency has been for the administration and Congress to increase taxes and/or reduce benefits, and of course, in 1983 we did both.

Mr. STENHOLM. Mr. Speaker, there are other solutions to the problem, and that is why I appreciate the opportunity to join with my colleague tonight in talking about some of these other solutions.

I think it is awfully important at this stage, and my colleague probably ought to do this and I am going to have to leave in a moment, but about every 10 or 15 minutes when we start talking about Social Security, we are not talking about those who are on it today. We are not talking about those about to be on it, i.e., 55 years of age and older. They are safe.

We are talking about our children and grandchildren. That needs to be over and over emphasized, and we have got a plan which tonight I will not go into all of it. The gentleman is going to talk about his, and I happen to agree with most of what he is doing, particularly with addressing the problem. It has been so difficult, so seemingly impossible, for this body to address it.

The Blue Dogs, a moment ago, what we said last year is, before we get into any new budget, any new tax cuts, any new anything, the first thing we should have done was sit down and fix Social Security. The gentleman from Michigan would agree with that, but that is not to be. That is water under the bridge. That is gone.

Now we find ourselves here it is 2002. Now, then, we are being told, and rightfully so, this being an election year, no one is going to address Social Security this year in a meaningful way, i.e., a chance to get a bill through the House and the Senate and the President signing it. So that means we are postponing it until 2003.

The next thing we are going to hear is, we cannot do it in 2003 because the next elections are in 2004. That is why I am so disappointed that we did not have an opportunity to show bipartisan support for what our President has had

the courage to do in the campaign, and I am so sorry that we have not been able to take the Commission on Social Security that made recommendations, that we have not had a serious opportunity to discuss those recommendations, pluses and minuses, and pursue the legislative process of a solution.

The gentleman from Michigan and I are not controlling that process.

Mr. SMITH. Mr. Speaker, also, our former President came close, several meetings, several efforts. I think both my colleague and I were encouraged 5 years ago when we had the White House meetings, when we started moving ahead, when there was more talk on Social Security.

The fact is, the solutions are not easy. There is a little pain in all of the solutions simply because of the statistics where the demographics mean that there are fewer people paying into the Social Security tax and people are living longer. So when we have a program that takes current workers' taxes and uses that money to pay for current retirees and we have a situation where people are living longer to increase the senior population and the number of people working is reduced in terms of their portion of the senior population, it becomes a situation where insolvency is inevitable, and the solutions are tough.

There are a lot of solutions. We are going to talk about them, but tonight I am sort of going to start from scratch of what the background and the solutions are. So, again, I congratulate the gentleman from Texas (Mr. STENHOLM) on his effort, and hopefully we will prevail next year.

Mr. STENHOLM. Mr. Speaker, I thank the gentleman from Michigan for sharing his time, and I want to keep on plugging, because he has been a valuable resource to this body, to those who bother to stop and listen; and some of the areas he will be talking about now are something that colleagues on both sides of the aisle, and I am going to do my best to make sure that folks on my side listen; and if they are going to complain or if they are going to talk negatively about what the gentleman is talking about, my answer is, okay, what is the solution?

At least the gentleman has got a solution, and for that I commend the gentleman and thank him for yielding some time to me tonight.

Mr. SMITH. Mr. Speaker, well, here it is, Social Security is taking a big hunk out of the total Federal budget. Twenty percent of the total Federal budget goes into Social Security. We match defense, the domestic discretionary; it is one of the largest expenditures we have. Medicare is smaller than Social Security, but the cost of Medicare is growing very rapidly.

Right now, if we include Medicaid, Medicare and Social Security, it represents a little over 7 percent of the total economy of the United States, a little over 7 percent of GDP; and see

the projection over the next 30 years, it is going to double as a percentage of GDP.

So it eats up that much more of the total finances that are available to the Federal Government, and it should be easy to project the fact that to accommodate that doubling of cost, of Social Security and Medicare and Medicaid, we are going to either have to substantially increase taxes or we are going to have to substantially increase borrowing. My guess is that we are not going to be able to reduce the expenditures of Federal Government to accommodate anywhere near that kind of increase in these programs eating up those revenues.

It is a system stretched to its limits. Seventy-eight million baby boomers begin retiring in 2008. Social Security spending exceeds tax revenues in 2015 and the Social Security trust fund goes broke in 2037, although the crisis is going to arrive much sooner. In 2015 or 2016 there is going to be less coming in from the Social Security tax than is required to pay promised benefits. So we have a trust fund that we call a Social Security trust fund, but all that is in that trust fund, in those steel boxes is IOUs. I mean, there are no dollars there.

So how do we come up with the money to pay back Social Security what we owe it? Again, it is the same action that would take place if there was no Social Security trust fund, because we are going to keep our promises, we are going to pay those Social Security benefits, but to do it, we have got to either increase taxes or increase borrowing, and that is what is going to happen unless we face up to the problem today. We use some of the surpluses that are coming into Social Security over and above the cost of the program, and we start getting real dollar returns on those invested funds.

I think we need to make it very clear that insolvency is certain. We hear people talking about, well, if the economy gets better that will solve the Social Security problem. It will not. We know how many people there are and we know when they are going to retire. We know that people will live longer in retirement.

The auto industry and Xerox came before the Social Security task force that I chaired. I chaired the bipartisan Social Security task force last session, and the medical futurists were suggesting that within 20 years anybody that wanted to live to be 100 years old, because of the tremendous increase in our medical technology, would have that option, to live to be 100 years old. So think what that is going to do not only to Social Security but to every pension plan, to every personal savings plan, if someone is going to live 15 years longer than expected back in 2002.

We know how much they will pay in, these workers, and we know how much they will take out. Payroll taxes will not cover benefits starting in 2015, and

the shortfalls will add up to \$120 trillion between 2015 and 2075. Let me say that again. The unfunded liability today in today's dollars is \$9 trillion, but in tomorrow's dollars over that 75-year period, it is \$120 trillion that Congress, and our annual budget is \$2 trillion, that somehow Congress and the administration are going to have to come up with borrowing or increasing taxes to pay promised Social Security benefits.

Let me just comment on the demographics. Our pay as you go retirement system will not meet the challenge of demographic change. This chart represents the number of workers per Social Security benefit. Back in 1940 there were thirty-eight people working for every one retiree. So thirty-eight people paid in their Social Security tax to cover the benefits of one retiree.

A year and a half ago there were three people working. Now it is just slightly less than three, three people working to pay in their taxes to cover each one retiree, and by 2025 the projection is that there will only be two individuals working, paying in that much more tax per individual to cover every retiree.

So at the same time that there are less workers for seniors, and that is because seniors are living longer, and after the baby boomers, there was a relative decline in the birth population. So fewer workers trying to cover the existence in Social Security of a larger number of retirees per worker.

The red chart simply represents trying to dramatically display the future deficits of Social Security. We have a little blip up here. On the top left is a little blip of surpluses. That is because in 1983 when they last changed the Social Security system, they actually made a mistake. They calculated taxes that were higher than they needed to pay Social Security benefits.

So what has happened since 1983 is, there has been a surplus, more taxes coming in from workers of the United States than were needed to pay benefits, and so that was the extra surplus. And so what government did, they said, Well, we will just borrow that extra money and spend it for other government services and write an IOU out to the Social Security trust fund for the last couple of years.

We came up with this idea; it approaches gimmickry. We called it the Social Security lockbox, but it was an effort to try to have some discipline within this Chamber and the Senate and the administration to at least pay down some of the other debt held by the public instead of spending this money for increased programs, which tend to perpetuate themselves.

Anyway, the long-term deficit, again, in today's dollars, \$9 trillion. Over the next 75 years, \$120 trillion in addition to the amount of dollars and money that is coming in from the Social Security tax to pay current promised benefits.

There is no Social Security account with an individual name on it, and as I make speeches back in Jackson and Hillsdale and Adrian and Battle Creek and up in Eaton County, Charlotte next to Lansing, most people think that somehow there is an account that they are entitled to. Not so. The Supreme Court now on two decisions has said that the taxes someone pays in are simply a tax and the benefits that they might get from Social Security are a benefit passed by Congress and signed by the President that can be changed anytime. That is why there is some advantage, some merit, to having an account with someone's name on it that politicians in Washington cannot mess around with.

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So if you have your private account, and we can mandate how the investment is made in that account to make sure that it is a safe investment, but it is going to be in that individual worker's name so he has possession. So if he dies, he or she dies, before they are 62 or 65, then it goes into their estate rather than going back into the system with maybe a \$240 death benefit. These trust fund balances are available to finance future benefit payments and other trust fund expenditures, but only in a bookkeeping sense.

Now, read this with me. There are claims on the Treasury that, when redeemed, will have to be financed by either raising taxes, borrowing from the public, or reducing benefits, or reducing some other expenditures. And this is what the Office of Management and Budget said a year and a half ago.

Some have said, well, if the economy gets strong, and we are underestimating how strong the economy is going to grow, an expanding economy with higher wages will fix the problem of Social Security. Not so. Because of the fact that Social Security benefits are directly related to your earnings and how much Social Security tax you pay in, the more you earn eventually, the higher your Social Security benefits are going to be. Social Security benefits are indexed to wage growth. And when the economy grows, workers pay more in taxes but also will earn more in benefits when they retire. Growth makes the numbers look better in the short run, but leaves a larger hole to fill later.

The administration has used these short-term advantages, I think, as an excuse to put off Social Security; and now we are in an extremely challenging time when we are trying to fight terrorists in our war on terror. And I think rightfully so it is reasonable to finance the war on terror to the extent necessary to make sure we win; but at the same time, we have to look at the long-term challenges. And as we saw in an earlier chart, the long-term financial challenges of this country, of this Congress, of the Presidency of the United States is Social Security and Medicare and Medicaid, all of which

are using up more and more money, especially not only in the increased cost of medical care but as more and more seniors live to be an older age.

The biggest risk is doing nothing at all. Social Security has a total unfunded liability of over \$9 trillion. The Social Security trust fund contains nothing but IOUs, and to keep paying promised Social Security benefits, the payroll tax will either have to be increased by nearly 50 percent or benefits will have to be cut by 30 percent.

There was an article in the *Detroit News* recently that said, well, the Social Security problem is not as bleak as some say because you will still get 75 percent of your benefits in 2032. But I say that is pretty bleak, especially to the large number of seniors that depend on Social Security for 90 percent or more of their total retirement income. And to reduce that benefit from \$800 to \$600 in today's dollars is going to be pretty dramatic for those individuals that depend on that Social Security check for so much of their retirement existence.

Social Security was one of the issues that I first dealt with when I first came to Congress. I have now introduced four Social Security bills. In the next couple of weeks I will introduce the next one. But I think an interesting point, as I have written these Social Security bills that have been scored by the Social Security actuaries to make Social Security solvent, every 2 years, 2-year session, that I have introduced a bill, it is that much harder to figure out ways to solve the Social Security problem. The longer we put it off, the more drastic the solution is going to have to be. And that is because what we are doing is not using the current Social Security surplus, the extra amount that comes in over and above what we are paying out in benefits; we are not using that to help in a transition to get some real return on the extra money that is coming in, to get some real return on individuals.

This chart shows the diminishing return of your Social Security investment. The real return of Social Security is about, this says less than 2 percent, but it is about 1.7 percent for most workers, and shows a negative return for some compared to over 7 percent for the market as a whole. Now, if you look at the little chart, you see minorities actually lose out, and that is because minorities tend to die at an earlier age. So a young minority worker can work all of their life and die before they reach the age of 62, and that means that they end up getting a negative return from the money that they have paid into the Social Security System. It helps everybody else, but it does not help that individual. And that is one thing that, it seems to me, is reasonable for us to correct, and I do that in my Social Security bill.

The average, as I mentioned, is a 1.7 percent return. But here is a marketplace over the last 100 years that has given us a return of 7 percent. And so

if there is a way to increase some of the real return on that money, and you can do this in a way that is going to minimize, if not do away with, all risk, it is to have indexed stocks and indexed bonds and have a system where it is shared. So the return over a 30-year period is going to be what your benefits and returns are going to be based on.

I am going to be showing you a chart that shows the returns on 30-year averages, but just now let us go back to how long you are going to have to live after you retire to break even with the money that you and your employer paid into Social Security. See, it was a good deal back in 1940. You worked 2 months, paid in your taxes for 2 months, and it only took the first 2 months of retirement to get everything back that you put into it. But as we have increased taxes over the years, and as we have, as individuals, lived longer, there is less money to spend on all individuals. You can see that by 2005 you are going to have to live 23 years after retirement to break even, and that goes to 26 years by 2015. So it is not a good investment. Social Security is not a good investment.

And I want to point out that nobody is suggesting doing anything with the disability portion of Social Security. So, roughly, the 2.4 percent of your taxes that covers disability and survivor benefits, nobody, in none of these bills that have been presented, none of this legislation is suggesting that we make any changes in that insurance portion of Social Security for disability benefits and survivor benefits.

I think this is an interesting chart. Seventy-eight percent of families now pay more in payroll taxes than income taxes. So the Social Security tax of 12.4 percent has become the major tax for most American workers.

The six principles of saving Social Security that I have come up with: protect current and future beneficiaries; allow freedom of choice; preserve the safety net; make Americans better off not worse off; and create a fully funded system; and, with 75 percent of the people now paying more in the Social Security tax than they do in the income tax, let us not again raise taxes, the FICA taxes, for Social Security.

The personal retirement accounts. Number one, they do not come out of Social Security. Two, they become part of your Social Security benefits. And, three, a worker will own his or her own retirement account. What I do with these retirement accounts in my legislation, for women, some who might be staying home with the young kids, some who might have gone into the job market later, I add the husband's eligibility for private investments and the wife's eligibility for private investments and divide by two, so that each, husband and wife, have the identical amount of dollars going into their retirement savings plan, their personal retirement investment savings plan in their own name. So in case there is a

divorce, it is already divided. We divide it every year.

And while I am talking about women, a couple other things that I thought were important in restructuring Social Security is taking away the penalty that we now put on mothers that stay home with their children. So in my legislation I, for a mother who is staying home with a child under 3 years old, I allow those years to be figured in the calculation of their retirement benefits, assuming that those years had the highest earning of any earning year that that mother might have had. So it does not penalize the mother that stays home with her young kids.

The other thing I do is I increase the benefits for a surviving spouse from the existing 100 percent to 110 percent. And that is to encourage more people to stay in their own homes rather than going to a very expensive nursing home. The 110 percent helps accommodate that.

The last blip that I have not mentioned yet is that it is limited to safe investments in the personal retirement account. Safe investments that will earn more than the 1.9 percent paid by Social Security.

I was in Europe representing the United States and our Social Security plan and talking with a lot of other countries. Many countries in the world have now gone from a fixed benefit plan to a fixed contribution plan. So they, like almost every State in the United States, has made that change to accommodate for what everybody knows is going to be a demographic problem, with more seniors and fewer workers. We need to make the transition, and we can still have the kind of safety net that is going to guarantee that future retirees are going to have as much or more benefits than they do now.

My grandson, who is named Nick Smith, sort of my immortality maybe, my grandson was painting on a fence and he had \$160 coming to him. I said, let us put this in a Roth IRA, because look what the magic of compounding interest can do, and I figured this out based on the last 20 years return on indexed stocks. So I calculated this out and I said, okay, now, look, by the age of 64, you are going to have about \$70,000 if you put this all in a Roth IRA right now. He says, gosh, though, grandpa, I sort of wanted to save it to buy a car when I turn 16. Well, wait a minute, if you wait just another 7 years, until you are 71, then it will double again and it will be \$140,000. Well, he finally agreed that maybe he could put \$20 in a Roth IRA.

But the point I sort of make is that it is hard to convince people that saving now can be so valuable in retirement simply because of the magic of compound interest. It is so much easier to say, well, I need to spend this on these things today. But if everybody in the United States could save a little more and put it in a savings investment account, then the average income

worker could retire as a very wealthy retiree simply because of the magic of compound interest.

So my legislation goes farther than just fixing Social Security. It increases and encourages additional savings above and beyond Social Security so that today's workers that have a modest income can retire, even if they live to be 100 years old, in much more wealth than they are having today, if they are willing to sacrifice and save a little today.

The U.S. trails other countries. When I went to Europe, it was interesting that in the 18 years since Chile offered PRAs, 95 percent of the Chilean workers have created accounts and their average rate of return has been 11.3 percent per year. Again, this compares to the 1.7 percent that the retiree depending on Social Security is going to get.

□ 2000

Among others, Australia, Britain, Switzerland offer workers a personal retirement savings account that is in their name, that the politicians cannot mess with.

Let me say again, every time that we have come up against not having enough money to pay Social Security benefits, Congress and the administration has either increased taxes and/or reduced benefits. That is what we did in 1983 under the Greenspan Commission, we reduced benefits and substantially increased taxes.

The British workers chose PRAs with 10 percent returns. You cannot blame them. Two out of three British workers enrolled in what they call the "second tier social security system" chose to enroll in the personal retirement accounts. The British workers have enjoyed a 10 percent return on their pension investments over the past few years. The pool of PRAs in Britain exceeds nearly \$1.4 trillion, larger than their entire economy and larger than the private pensions of all other European countries combined.

Here it is. Mr. Speaker, this chart is a rolling 30-year average of the returns in stocks between 1901 and, I take it, up to 2001. A 30-year return. We see some downs on this. But the average is 6.7 percent.

Some people say, "Don't put it in any kind of stocks because it is too risky." Let me just suggest that if this country does not continue to grow, then whether it is the current system with no changes or whether it is any system that depends on revenues coming in and the economy of the United States, the money is not going to be there. We need to look at the kind of decisions that are going to stimulate economic expansion.

I am getting off on a footnote here, but I just want to say, we need to continue our investments in basic research, we need to continue our priorities like this administration has to improve education, because that human capital investment and that capital investment is what is the

strength of economic growth in this country in the past, and it has got to be that way in the future.

Here again, we see ups and downs, even over the last year on the far-down blip, but on a rolling 30-year average, not much of a downer in terms of average returns on investment.

Okay. Here is the return. Here is what I was talking about earlier, when we have problems, we increase taxes. If we do not deal with this problem, Mr. Speaker, the temptation is going to be to yet again increase taxes on workers.

In 1940, the rate was 2 percent. This program started in 1934, by the way. By 1940, the rate got up to 2 percent on the first \$3,000. That is \$60 a year maximum. By 1960, 6 percent, 6 percent on the first \$4,800. That was a maximum per year of \$288. In 1980, it went to 10.16. In 2000, it is up to 12.4 percent, and we are now at 12.4 percent of the first \$86,000 of payroll.

We are increasing the base every year. If we put it off, the tax will again go up.

Here are, in summary, some provisions that I thought was sort of the basis of the legislation that I have introduced. First of all, it allows workers to only invest a portion of their Social Security taxes. I limit the investments to indexed stocks, indexed bonds. Some people say, well, this is going to be a bankroll for Wall Street. The cost of administering an indexed fund is approximately .004 percent, so our Thrift Savings account that so many Members of Congress are familiar with, you would invest in indexed funds that have very low administrative costs.

PRSAs, personal retirement savings account investments, in my legislation, start at 2.5 percent out of the 12.4 percent. Then it gradually increases over the next 40 years to get up to 8 percent that would be in your private investment account. The PRSAs are limited to a variety of safe investments. I think that is important.

But what I think is even more important is that the individual worker owns that account, controls that account; nobody can take that account away from him because it is in his or her name. If he or she happens to die before they start collecting Social Security benefits, then it goes into their estate and their heirs rather than, like our current Social Security system, simply going back into the Social Security system.

It uses surpluses to finance the PRSAs. Right now we are still in this time period up to 2015 or 2016 when there are surpluses coming into Social Security. There is no increase in taxes or government borrowing in my bill.

PRSA account withdrawals may begin at 59½, while the eligibility age for fixed benefits is indexed to life expectancy. So here again, if you have the kind of savings that will pay for an annuity to give you the same benefits as Social Security would, then you can retire as early as 59½.

What we have also done in our legislation is say that if you do not retire at

65 but you decide to keep working and not start taking those Social Security benefits, your Social Security benefits will increase by 8 percent a year for every year you delay taking Social Security benefits after 65. A lot of us are very healthy and want to keep working a few more years. If you wait 4 years and increase your benefits by 25 percent, if you are optimistic about your life span, then it becomes a good deal.

But the point is, if you retire earlier, then actuarially you are going to get less, but still have the option of retiring earlier. If you wait to retire, then you are going to actuarially have more benefits, but it is going to not cost anybody anything simply because, on the average, it is going to be actuarially sound.

PRSA account withdrawals may begin at 59½, as I mentioned. There are tax incentives for workers to invest an additional \$2,000 each year so that you have the same tax advantages as you would in a Roth savings account, or an IRA, to encourage that additional investment, especially for low-income workers where government would add to that investment in those retirement accounts.

It gradually slows down benefit increases for high-income retirees by changing benefit indexation from wage growth to inflation. Right now, we have a system where future benefits are indexed to wage growth which goes up much faster than the CPI, than inflation. So this changes that index.

Generally what I do to pay for this system is, I slow down the increase in benefits for high-income workers and increase them for low-income workers. But that is what helps pay for the transition into some private ownership accounts. We divide the PRSAs, like I mentioned, between couples. Widow's or widower's benefits increase to 110 percent. It repeals the Social Security earnings test, it is scored by the Social Security Administration to keep Social Security solvent, and it maintains the trust fund reserves. Some people have said, we need the trust fund reserves there, so I keep the reserves there as an additional safety net.

Right now, the average retiree gets about 30 percent of their last year's earnings. The current retiree gets, on the average, 30 percent of their last year's earnings. What we are suggesting is that we have the kind of guarantee that if an individual that is 20 years old today ends up getting, whatever, 50 percent of their last year's earnings, or as we have experienced in some counties down in Texas that decided to have private investments rather than the Social Security, they are receiving three and four and five times as much as Social Security would pay.

So if we say to the 55-year-old worker that, look, you go into the system, he comes up with funds in his personal savings retirement account that would accommodate, say, 20 percent of what he would have of his last year's earnings, then Social Security and govern-

ment would add the additional 17 percent to guarantee what he would have gotten under the old Social Security system. We can have the kind of safety net, because over the long term we can get a lot better return than the 1.7 percent of the average retiree.

Again, in closing, Mr. Speaker, let me just suggest to all of my colleagues, to everyone that might be listening to this presentation, that the longer we put off solving Social Security, the more drastic the solution is going to be. I think we cannot afford the imposition on current workers or we cannot afford to put the burden on future wage earners by not facing up and dealing with the Social Security problem.

ASPECTS OF THE WAR ON TERRORISM

The SPEAKER pro tempore (Mr. FERGUSON). Under the Speaker's announced policy of January 3, 2001, the gentleman from New York (Mr. OWENS) is recognized for 60 minutes.

Mr. OWENS. Mr. Speaker, I would like to talk about a very important aspect of the kind of war against terrorism which I think the United States should wage. I would like to talk about a dimension of that war which is very seldom discussed. We are in the process now of preparing for our budget. The vote on the budget may come as early as next week. In that budget, the largest increase is \$48 billion for the military and for homeland security, items which are designated as part of the war against terrorism. I want to talk about that in terms of its being utilized in a new way, of being expanded so that it has a greater impact against terrorism than the present administration foresees.

The emphasis of the present administration is too much on the military and too little on foreign aid and other kinds of necessities that are needed, both at home and abroad.

I think the discussion before on Social Security is relevant here, also, but today, earlier, we took some steps which I think weaken our war on terrorism. A bill was passed which erodes the ability of the American citizens to bring class action suits. For some time, since the Contract With America and the majority was taken over by the Republican Party, we have had an effort to erode the rights of citizens in our civil courts.

Certainly the effort to end class action suits as we know them has been going on for some time. That bill was passed today, by a narrow majority, but it was passed; and it is one more example of how we are restricting and oppressing, with a light hand, and swindling our own population. Every time we do that, every time an act takes something away from the American people, the citizens, who must be at the heart of fighting the war on terrorism, we are weakening our war against terrorism.

One thing this war needs is every American enthusiastically involved.

Every American must understand that the war is going to be a long war and the war is a war for people's minds across the globe. It is a war to show our compassion. It is a war to help educate the rest of the world. There are a number of items, of components in this war against terrorism which require massive help by our entire population.

□ 2015

When we make our own population a little less comfortable or disgruntled, we move in ways which are going to restrict the rights and freedoms of our own population; we are weakening our effort in the war against terrorism.

When we refuse to appropriate adequate funds for education, we are greatly weakening the ability to fight a war against terrorism. And over what? In the most elemental concrete way, the ability of our military to fight a war with high-tech weapons, very complex weapons, is dependent to some degree on the quality of the education of the personnel involved.

I am not a military expert; but the large number of accidents that have occurred, the large amount of human error and the number of casualties that were the result not of hostile fire but of our own mistakes, indicate that the quality of personnel could be greatly improved.

I am mindful of the time when, just a few years ago, we launched a new super aircraft carrier, the largest and most complex machine on the water, about 3 years ago was launched by the Navy, and they said that they were short 300 personnel. They could not fill 300 positions on that aircraft carrier because they could not find within the Navy the enlisted men who could do the things that were necessary, could operate the complex high-tech equipment. It was just one example of how education directly relates to our ability to fight a war. In this example it is obviously quite concrete and related to the military.

On a larger scale, we need all the people we can to help educate the populations of certain nations, to help educate the leaders, to be able to spread the constitutional civilization that we enjoy, how you operate under a constitution, to be able to spread the economic system that we enjoy, the legal system that goes along with economic system. Capitalism cannot exist without a legal framework. There are a number of things that are not so simple that the rest of the world needs to learn, and one of the ways we are going to be able to win the war against terrorism is to have more and more people, ordinary people in the nations of the world, understand these complex processes.

So educated people in America will help not only increase our own level of prosperity, the ability of our own Nation to function, but also we are going to be needed to help spread democracy across the world and help democracy take a firm hold, to help improve the economic systems take hold.