

charged to his side of the aisle, which is 6½ minutes.

Mr. BENNETT. May I inquire, Mr. President, if the time would be running even if we were in a quorum call?

Mr. SARBANES. Yes, it would.

Mr. BENNETT. Mr. President, I ask unanimous consent that I be allowed to proceed for the next 6½ minutes, with the time charged, as in morning business.

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

STOCK MARKET VOLATILITY

Mr. BENNETT. Mr. President, I have been reading the popular press, as have most of us. As we watched the gyrations that occur in the stock market at the moment, I have been interested at the way people in the press have been portraying what has been happening.

We have been told in the last few weeks that the market went down because President Bush's speech was not tough enough when he spoke to Wall Street. We have been told that the market went up because Chairman Greenspan's presentation to the Banking Committee was encouraging. We have been told that the market went down because the Banking Committee's bill on corporate governance was too tough and was frightening people. Then we were told that the market went up dramatically because the same bill was passed and people were reassured.

The consequence of all of this is to demonstrate to me that the popular press does not have a clue as to why the market does what it does. They do not understand market forces, and they are looking for reasons with little or nothing to do with what happens in the market.

I will make a few comments about the market and what it is we might really do in Congress if we want to have an impact on the market and the economy.

In the short-term, there are two factors that we know about investors in the stock market. No. 1, they hate uncertainty. They hate a situation where they do not know what is going on. This is one of the reasons why they reacted to the recent scandals with respect to accounting: They did not have the certainty that they could depend on the numbers.

Now, as they are beginning to sort through some of the information we have, they are beginning to feel a slight increase in certainty in their reaction to the numbers. That is showing up in some of the stabilization in the market. It has nothing to do with what kind of a speech the President gives or how eloquent we are in the Senate.

No. 2, the market has a herd mentality in the short-term. If everyone is selling, we ought to sell. That is the reaction in many brokerage houses. There are those who say: We are contrarians; if everyone is selling, we are going to buy; we are out of the herd

mentality. But they are in a herd mentality among the contrarians.

So there is no careful analysis of what is going on but a flight from uncertainty and a herd mentality, both of which rule the market in the short-term.

In the long term, however, which is what really matters, there are also two factors in the market we must pay attention to. No. 1, in the long term, the market is self-correcting. Errors of judgment that are made on one side of a trade are compensated for by intelligent decisions on the other side of the trade. One brokerage house or one fund manager who overreacts and makes a serious mistake is offset by another fund manager who serendipitously makes the right decision. Over time, the markets are self-corrected so that the frantic headlines we see in Time Magazine or on the front pages of the New York Times, the market this or the market that, on the basis of the President's speech or the Congress's actions, over time they have no relevance to reality whatever. The market over time is self-correcting, goes in the right direction, and rewards people who do the right thing and punishes people who do the wrong thing.

Second, over time, the market depends on fundamentals. There are periods of time when we have froth. There are periods that I call "tulip time"—remembering the tulip mania of the Netherlands. Over time, these periods of froth are squeezed out, and the market makes its decision on fundamentals.

I say to my friends in the popular press who are trying to sell air time or newspapers: Stop trying to frighten the American people one way or the other. Come back to an understanding that fundamentals in the economy are the things that really matter—not speeches by the President, not actions necessarily by the Congress.

I think we had to act on the corporate governance area, but we didn't drive the market up or down by the action that we took. We added to the question of fundamentals.

How well the Sarbanes-Oxley bill works will play itself out in the fundamentals. If it works in a solidly fundamental way, it will benefit the markets. If it turns out it has flaws, it will hurt the market. But the speeches we imagine as we pass the bill have little or no impact.

One final comment. If we were serious about doing something to change the culture in corporate America, we ought to consider removing taxation on dividends. We have had a lot of conversation about options and managing earnings. If dividends become a reason why people buy stocks, as they once were, that would change the nature of corporate governance fairly fundamentally.

If a CEO knew his stock price would go up if his dividend were increased and if his investors knew if they get an increase in dividends it would not be

eaten up in taxes, there would be a change in the corporate boardrooms of this country that would be salutary.

I don't have the time to go into this, but at some future time I will explore it. I raised this with Chairman Greenspan when he testified before the Banking Committee and asked him about the propriety of removing taxation from dividends. That was the beginning of a conversation that I want to have over time.

As we go through the experience of the present economic difficulties and the gyrations of the market, it is time to reflect on fundamental things we can do that will change the nature of the corporate culture. Addressing stock options and expensing stock options is something we can talk about. Dealing with corporate compensation is something we can talk about.

Back to my earlier point. Over time, the market responds to fundamentals, and, over time, we ought to look at some fundamental changes. That means we have to look at the tax laws. There is nothing that government does that affects corporate activity more than the Tax Code. That is where we ought to look for serious cultural changes.

I yield the floor.

ORDER OF PROCEDURE

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. CORZINE. Mr. President, I ask to speak on another subject.

The PRESIDING OFFICER. The time would be charged against the time remaining on this side for debate on the amendment. There are 32 minutes remaining. I suggest the Senator speak as in morning business but we continue to charge the time against the time remaining on the pending amendment.

Mr. CORZINE. I ask unanimous consent to speak in morning business and that the time I use be charged against the time allocated for debate on the amendment. I expect to use up to 15 minutes.

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

SOCIAL SECURITY

Mr. CORZINE. Mr. President, I bring up a subject that I have been speaking about frequently. That is our Social Security system, one that I believe the American people deserve to have a debate about before the election in November.

There have been many attempts to put off this debate until after the election so we can decide policy that will truly impact the American people for many, many years and decades to come. It is extremely disappointing we have had a hard time engaging in that debate. This week we actually made some progress, at least with regard to debate, not necessarily with regard to the content of the debate.

I express my great disappointment and, frankly, my utter amazement

about comments made this past week by the President's press secretary, Mr. Ari Fleischer, with respect to the privatization of Social Security. I will read the beginning of an article from the Washington Post on Thursday on the press secretary's remarks, and I will ask unanimous consent to have this article printed in the RECORD.

The article is titled: "Bush Continues to Back Privatized Social Security."

It reads:

The White House yesterday stood firmly behind President Bush's plan for workers to divert some of their social security payroll taxes into the stock market, despite the dramatic drops suffered in recent months.

Basically, for the past 2½ years.

White House Press Secretary Ari Fleischer took a swing at the existing Social Security Program, calling it "dangerous" to let the people pay a lifetime of high taxes for a Social Security benefit that under current projections they'll never receive.

Let me repeat:

... calling it "dangerous" to let people pay a lifetime of high taxes for a Social Security benefit that under current projections they'll never receive.

Often we hear people talking about trying to scare seniors and all kinds of hyperbolic commentary about Social Security, but this tops it.

Yesterday, the Congress, under your leadership, took the leadership with regard to corporate reform to help make sure corporate America, the Nation's accounting profession, those who are responsible for managing corporate America, are more responsible. But after reading Mr. Fleischer's remarks, I think we should consider a similar initiative to make the administration's statements on Social Security equally responsible.

It is inconceivable that we would be talking to the American people in terms that, under current projections, they will never receive their benefits.

Let me take a moment to review where things stand on this issue of Social Security, which I do believe truly needs a full debate—maybe not in context that Mr. Fleischer is talking about, but we do need a debate in front of the election.

Last December, President Bush's Social Security Commission proposed plans to privatize Social Security that would require deep cuts in guaranteed benefits—not eliminate, deep cuts. For workers now in their twenties, those cuts would exceed 25 percent. From younger workers and future generations, those cuts could be much deeper, up to and beyond 45 percent.

Unfairly, and in my view inappropriately, these cuts would apply to everyone, even those who choose not to risk their Social Security benefits in privatized accounts. For those who do participate in privatized accounts, the cuts in their guaranteed benefits would even be larger than those I just mentioned.

Incredibly, for the disabled and for surviving children and family members, the cuts in their benefits would be especially disastrous, more extreme than the numbers that are cited for retirees.

These deep cuts would undermine the fundamental purpose of Social Security, which is about providing a basic level of security to those who have worked hard, contributed to our Nation, paid into the Social Security system, and they did it in good faith that the system would be available, and those resources would be available for their retirement. Social Security promises Americans a basic level of security on which they can count. It is the bedrock of a social insurance program that our Nation overwhelmingly supports, has for generations—70 years—and that retirees can depend on for a rock solid guarantee regardless of what the stock market does or what asset markets of all kinds do, regardless of inflation and regardless of one's lifespan. Social Security will be there and that fundamental guarantee is what the program is all about.

By contrast, privatizing Social Security would shred, would break that guarantee, and in my view we must not let that happen. It is one of the most important issues our Nation should be debating as we face this election this fall. The lines are very clearly drawn. Mr. Fleischer suggested they stand firm in their belief that the privatization of Social Security is the direction we should take.

The huge volatility in the stock market over the past several months should make clear to all Americans that equity investments by their nature cannot offer the same security that Social Security provides. Being an old market hand, markets go up, they go down, they go sideways. They are volatile through time. Sometimes they have serious erosions in value.

In the past 2½ years, stocks have lost nearly \$8 trillion in value. The S&P index has declined by about 45 percent. This year alone, stocks have lost close to \$3 trillion. That translates to real undermining of retirement security for those who were dependent on it, primarily focused on a 401(k) in the stock market. Many of those losses have been suffered in our pension systems. They have been suffered in IRAs, 401(k)s, personal savings accounts. Those have truly undermined the security that one might draw from them.

But through all of that, Social Security stands firm. The guaranteed benefits are in place. One doesn't have to wonder whether those resources for one's retirement security are going to be available. Basic, critical benefits will be there for the beneficiaries, regardless of the state of the stock market.

In light of that dramatic volatility, I had hoped that President Bush would reconsider his support for privatizing Social Security. As I said, Mr. Fleischer was crystal clear. The President's position had not changed.

For me, this is extremely disappointing, and I certainly call on the President to rethink his position. On these matters of great national import—whether it was the corporate reform activity that we had a debate about for 3 or 4 months, leading up to

yesterday's successful passage of corporate reform; whether it is with regard to the fiscal policy that has seen us move from substantial surpluses, 3 years of surpluses into substantial deficit; and now, on Social Security—we see this continual sense of inflexibility.

Leadership is about thoughtful respect for the facts, changing realities that might require a change in one's position. I hope the President will consider that in the context of Social Security, taking into account the kind of market volatility we have seen, taking into consideration the kind of risk that might be brought to bear on those who have had their investments in the stock market over long periods of time.

Having said that, my concern about Mr. Fleischer's statement Wednesday goes beyond his reaffirmation of this administration's continuing support for privatizing Social Security. He went much further. Let me just read again from the story I cited from the Washington Post. Mr. Fleischer claimed that Social Security was "going bankrupt," and that it was dangerous to:

... let people pay a lifetime of high taxes for a Social Security benefit that under current projections they'll never receive.

"Going bankrupt," if that is not scare language, I can't imagine how one could otherwise categorize it.

This statement is simply outrageous. It is simply outrageous to suggest that people now paying into the system will never receive a Social Security benefit. It is not just misleading, it is absolutely factually wrong. I am afraid it is part of a concerted effort by those advocates of privatization to scare Americans, especially younger Americans, into believing that the only way they are ever going to get a retirement benefit out of Social Security is to invest it in personal accounts, to invest it in privatized accounts, to invest it in the stock market.

I am not against investing private funds beyond Social Security in all kinds of assets. But we are talking about a guaranteed benefit for all of Americans. In the 1930s, before we had Social Security, or before 1930, almost 50 percent of senior Americans lived in poverty. Because of the benefit of Social Security, now we are down to about 10 percent. It is a fundamental, solid program. People know that our Government has created a situation where they can have security in their retirement. It is a sacred trust with the American people. It is based on a promise that if you work hard and contribute to your country, you will enjoy a very basic level of security in retirement.

By the way, this is not exactly a princely sum that people get out of Social Security. I wish we could make it better.

Last year, the average retiree benefit was about \$10,000—not exactly what

some of the salaries of big corporate executives are about—and about \$9,000 for women. That is not exactly a princely sum, as I suggested, in my part of the country. In New Jersey, the average rental payment for an individual is about \$1,200 a month. I don't think \$10,000 matches up with what you even have to pay for rent in many parts of the country. It is not exactly as if our Social Security system is providing excessive amounts of resources for individuals in their retirement. But it does provide that bedrock safety.

Unfortunately, I guess there are those who seem to think \$10,000 is too much. They want to break Social Security's promise to seniors in the future by cutting those benefits by 25 percent, or 45 percent. Those are big numbers. That is hard to put together against the cost of retirement for most Americans.

One way they justify such claims is by arguing that the current system will leave today's workers high and dry. We heard Mr. Fleischer's remarks. They seem to be hoping that will be a self-fulfilling prophecy, that somehow or another they can scare people into believing we ought to undermine Social Security. I stand here today quite confident that folks on this side of the aisle, if we have anything to say on the matter, are not going to let that happen.

That is why we need to have this debate about Social Security privatization before people go to the polls this November. It is one of those defining issues for the American people to express themselves about. It is very clear: Do you want privatization of Social Security that puts the responsibility and the risk on the shoulders of Americans or do you want a guaranteed system that provides benefits if you have paid into that system when you retire? It is very clear, it is not a complicated concept—guaranteed benefits versus risk.

For those concerned about the future of Social Security, let me remind my colleagues that Social Security benefits are established in the United States Code and represent a legal commitment—I think we call it an entitlement—by the Federal Government and with the full faith and credit of the United States.

Unlike many other programs, Social Security is not subject to a yearly appropriations process. The entitlement and benefit is not dependent on future congressional action. Mr. Fleischer is just flat out wrong.

As a purely legal matter, this entitlement would remain a binding obligation of the Government even if Congress were to allow the Social Security trust fund to become insolvent. However, as a practical matter, the point is moot. First, the nonpartisan actuaries at the Social Security Administration project that the trust fund will be fully solvent for 40 years; that is, 2041. After that, there still would be enough funding for three-quarters of the benefits to

the actuarial life on which they are making the calculations.

But there is nothing in the law to prohibit Congress from replenishing the funds or changing some of the terms and conditions. We can do a number of things to establish the security of that trust fund.

We ought to start by balancing our budget so we are not spending the Social Security trust fund on everything under the Sun other than for what it is intended. But we could take actions here on the floor of the Senate with the Congress and the President working together to flush that up. As a matter of fact, we have a legal obligation to do that.

I think it is absolutely essential that Mr. Fleischer review the context in which he says we are going to have a bankruptcy because we have written into law that that is not going to happen. I am confident that long before 2041, the Congress and the White House will come together in a bipartisan way, as they have in history in different periods of time, move beyond privatization proposals which would actually worsen the Social Security financial system, and work together to solve the program's long-term funding needs. It can be done. It is not beyond the realm of a lot of reasonable people. We ought to talk to the American public about that.

But the reality is that privatization is not the direction that is going to provide the kind of security that I think most Americans are looking for in their retirement.

I think we ought to get away from giving blatantly false and misleading arguments and scaring people about the solvency of Social Security, as Mr. Fleischer did on Wednesday. I think we need to stop the scare tactics for young people and talk about real solutions for a real problem, that I think can be addressed if we are thoughtful, in the way we have addressed a number of issues in the Senate.

I conclude by again urging the Bush administration to reconsider their position on privatization, particularly in light of the dramatic events of recent weeks. Just as September 11 led to fundamental changes in Americans' perceptions about the risks of terrorism, I think the recent volatility of this market has captured the reality of what markets can provide as far as undermining security is concerned, and we have developed a much greater appreciation as a nation about the uncertainties of the market. I hope the Bush administration will face up to that reality and readjust its attitude and its views on its policies accordingly.

Mr. President, I ask unanimous consent the article to which I referred be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 25, 2002]
BUSH CONTINUES TO BACK PRIVATIZED SOCIAL SECURITY

(By Amy Goldstein)

The White House yesterday stood firmly behind President Bush's plan for workers to divert some of their Social Security payroll taxes into the stock market, despite the dramatic drops Wall Street has suffered in recent months.

White House press secretary Ari Fleischer took a swing at the existing Social Security program, calling it "dangerous" to "let people pay a lifetime of high taxes for a Social Security benefit that under current projections they'll never receive."

Fleischer made clear that Bush continues to favor permitting Americans to take a portion of the taxes they ordinarily contribute to Social Security trust fund and invest it on their own. "That would include markets," Fleischer said. "Nothing has changed his views about allowing younger workers to have those options."

However, Fleischer recalibrated his sale pitch for private retirement accounts, deemphasizing earlier arguments that such investments would generate more retirement savings through higher rates of return. Instead, he said that the current system is "going bankrupt" and that the government should grant people more control over their money. He used the word "options" a dozen times.

The White House's reminder that Bush wants to overhaul Social Security comes as the administration is redoubling its efforts to draw attention to strong points in the economy. The remarks about the retirement system, on a day when the stock market rose after nine weeks of historic declines, typify an administration that has prized consistency in its policy positions, rather than shifting with changed circumstances.

Bush's position on Social Security was a major tenet of his 2000 campaign. Last year, he assigned a commission to recommend such a system, and the panel responded in December with three proposals. Each would require at least \$2 trillion to convert to the new approach, the commission found. It also concluded that the program, destined to face enormous economic strains by the middle of the next decade as the baby boom generation retires, will require reductions in benefits, money from elsewhere in the federal budget—or both.

For now, the White House essentially is speaking into a legislative vacuum. Republicans, fearing that the volatile issue could prove damaging in the elections this fall, persuaded Bush last winter that Congress should not consider any Social Security reforms until 2003. Now some in the party are suggesting that debate should be deferred until after the 2004 presidential election.

House Republicans have distanced themselves from Bush's ideas—at least rhetorically—by passing a bill that promised not to "privatize" the retirement system, although many in the party still favor what they now call "individual investments." House Democrats are trying to force a vote on the president's proposal, believing that a debate may prove politically advantageous during a season of investment losses and corporate scandals.

In the absence of legislation, the most ardent proponents of individual accounts continue to press their cause. This week, the Cato Institute, a libertarian think tank, issued a poll it sponsored suggesting that two-thirds of voters support that arrangement. Andrew Biggs, who works on Social Security at Cato and was a staff member of the White House commission, said the findings are striking because the survey was conducted during an interval earlier this month

when the stock market fell 700 points. "Nobody can claim we had the environment stacked in our favor," he said.

A Washington Post-ABC News poll this month found that about half the public supports investing some of their Social Security contributions in the stock market, significantly less than two years ago, but about the same proportion as last year.

Democrats and other opponents of the change have been raising the issue particularly in congressional campaigns. "There is a link between the rising crisis of confidence in corporate America and the scheme to privatize Social Security and cut Social Security benefits as Republicans are still seeking to do," House Minority Leader Richard A. Gephardt (D-Mo.) said this month.

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

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

ORDER OF PROCEDURE

Mr. SARBANES. Mr. President, I ask unanimous consent to be able to proceed as if in morning business, with the time to be charged against the time that was allocated for debate on the pending amendment.

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

SOCIAL SECURITY

Mr. SARBANES. Mr. President, I want to take the floor for a moment or two to commend the able Senator from New Jersey for the statement that was just made about Social Security privatization, and for focusing on this absolutely outrageous statement made by the White House Press Secretary earlier this week. To terrify people with that kind of statement is absolutely irresponsible. I think it is very important that be put on the RECORD.

I thank the Senator from New Jersey for the analysis and focus he is bringing to this issue of privatizing Social Security. It is an extraordinarily important issue. I agree with the Senator that it ought to be fully debated.

The President and his advisers apparently have not abandoned their bad idea of privatizing Social Security. If that is the case, then we need to lay out in front of the country exactly what is involved. The biggest thing involved, in my judgment, is the very point which the able Senator from New Jersey was making just a few moments ago; that is, the question of the guaranteed benefit.

Under the existing Social Security system, we seek to provide an assured benefit level in Social Security. So when someone stops working, and they start drawing their Social Security, they are told, you will get X amount of dollars per month in your Social Security

check. In addition, of course, we also provide for a cost-of-living adjustment in that check.

So the beneficiary, in planning their retirement, and their standard of living under retirement, knows that each month the Social Security check will come, and it will be in this amount—a guaranteed benefit—and that they can count on that.

The privatization, first of all, undercuts the guaranteed benefit concept, and carries with it the risk that your monthly benefit check may be far less. It also carries the risk it may be far more. But who knows? Who knows?

Can you imagine the trauma of senior citizens all across the country if the amount of their Social Security check had been linked to the movement of the stock market in recent months? You would have some elderly person, for whom Social Security is their only source of income, reading stories about the drop in the Dow Jones and the Nasdaq and all the rest of it, thinking to themselves: How much is going to be in my next monthly check? How am I just going to get through the necessities of life if the amount of my Social Security check is going to drop, because of it now being tied to the movements in the market?

Any responsible discussion about this has been that you would have an add-on over and above Social Security that might then be placed in the market, so at least you would guarantee to the person sort of the minimum retirement upon which they could absolutely plan and absolutely count. And that is what needs to be laid out and debated.

The Senator from New Jersey has pinpointed that concern. I commend him for doing it. It is very important. People need to focus on this issue. We need to have this debate. We ought not to be in a situation where the White House Press Secretary can make the kind of statements he is making, seek to undercut confidence in the system, and then use that as an argument for some fundamental change which would jeopardize the guaranteed benefit aspect of the Social Security system which is an extremely important part of it.

I thank the Senator for the excellent job he is doing in bringing this issue to the attention of the Nation.

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

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

REVISED ALLOCATION TO SUBCOMMITTEES FOR FISCAL YEAR 2003

Mr. BYRD. Mr. President, on Thursday, June 27, the Senate Committee on

Appropriations, by a unanimous roll-call vote of 29 to 0, approved the allocation to subcommittees for fiscal year 2003.

On Wednesday, July 24—just this past Wednesday—Congress adopted the conference report to accompany H.R. 4775, the fiscal year 2002 supplemental appropriations bill.

Today, I submit a revised allocation which has been modified, primarily, to conform outlays for each subcommittee with the outcome on the supplemental.

These revised allocations were prepared in consultation with my colleague, Senator STEVENS, the distinguished ranking member of the committee, who stands with me committee to presenting bills to the Senate consistent with the allocations.

Furthermore, we stand committed to oppose any amendments that would breach the allocations.

I ask unanimous consent that a table setting forth the revised allocation to subcommittees be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SENATE COMMITTEE ON APPROPRIATIONS—REVISED FY 2003 SUBCOMMITTEE ALLOCATIONS DISCRETIONARY SPENDING

(In millions of dollars)

Subcommittee	Budget authority	Outlays
Agriculture	17,980	18,273
Commerce	43,475	43,174
Defense	355,139	350,549
District of Columbia	517	586
Energy & Water	26,300	26,060
Foreign Operations	16,350	16,657
Interior	18,926	18,610
Labor-HHS-Education	134,132	126,373
Legislative Branch	3,413	3,467
Military Construction	10,622	10,127
Transportation	21,300	62,101
Treasury, General Gov't	18,501	18,231
VA, HUD	91,434	97,314
Deficiencies	10,000	12,369
Total	768,089	803,891

Revised on July 25, 2002.

Mr. BYRD. Mr. President, I thank the Chair and 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. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

MORNING BUSINESS

Mr. REID. Mr. President, I ask unanimous consent the Senate proceed to a period of morning business with Senators allowed to speak therein for a period not to exceed more than 5 minutes each.

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