

week, an \$87 billion request has come forward from the President, and we are not getting much help at all obviously from other nations in terms of troops or money, as Evelyn points out.

Stephanie from Strongsville, Ohio writes, "Millions of Americans are out of work and thousands more are laid off every day. State and county taxes are increasing to cover the cost of Mr. Bush's huge refund for the wealthy. And now Mr. Bush wants billions more to fund the disaster that he, Cheney and Rumsfeld created in Iraq?"

Mr. Speaker, Stephanie is referring to the budget cuts and the tax increases that Ohio has done. I think people in my district and around the country are very concerned about the \$87 billion.

KEEPING SOCIAL SECURITY SOLVENT

The SPEAKER pro tempore (Mr. MURPHY). Under the Speaker's announced policy of January 7, 2003, the gentleman from Michigan (Mr. SMITH) is recognized for 60 minutes as the designee of the majority leader.

Mr. SMITH of Michigan. Mr. Speaker, I am going to talk for a little while about another dilemma facing this country, and that is the problem of keeping Social Security solvent.

We developed a program back in 1934 that provided that existing workers pay in their taxes, and then immediately those taxes were sent out to retirees. Franklin Delano Roosevelt, after the Great Depression, seeing many American families going over the hill to the poor house, like Will Carlton wrote about in Hillsdale County, Michigan, where I am from, provided a program which said let us have some forced savings during your working years so you have greater social security in your retirement years.

It is interesting searching the archives in which the Senate said that these accounts should be in privately owned accounts, but you can only take them out when you retire. The House, on the other hand, passed a bill which said the government should collect all of the money and then send out the money to existing retirees as those individuals reach 65 years of age. This pay-as-you-go program worked very well in those early years because there was a growing number in the workforce, and most people died before they reached 65. Actually, up until 1939, the average age of death was 62 years of age. So if a person paid in all their life and never reached 65, the program worked very well.

Now we are faced with the dilemma of two colliding forces hitting us and many other countries of the world. Those two colliding forces are the fact that we are living longer and the birth rate is declining. That means that there are fewer workers paying in their taxes to accommodate the needs of a growing number of retirees in relation to the number of workers paying in their taxes.

I would ask all my colleagues to agree to three goals of retirement security. We are going to have to deal with it. We have known that for the last 12 years, that Social Security was going broke, that it could not stay solvent. The three requirements that I think everyone should agree to are, one, continue to provide retirement security for the elderly; number two, give young people an opportunity to improve their retirement prospects; and, number three, benefit the economy instead of burdening it.

Now we are faced with a situation where every State in the Nation has changed their retirement program from a fixed benefit after people retire to a fixed contribution. Most companies, most of our industry and companies have also made that change simply because the fact is very clear that with a declining number of workers and an increasing number of retirees in relation to the number of workers simply because we are living longer, requires that the only program that can continue and be solvent is moving towards a fixed contribution program.

Here is the dilemma that I would like to call to the attention of my colleagues, and that dilemma is the fact that every time this country has run into problems of not having enough Social Security tax money coming in through the FICA tax, one of two things have happened: we have either increased taxes or we have cut benefits, or we have done both.

This chart represents how much we have increased taxes over the years. In 1940, the rate was 2 percent on the first \$3,000 for a maximum tax on any individual worker in this country of \$60 a year. By 1960, we decided to up that tax rate, and we increased it threefold to 6 percent on the first \$4,800 for a total tax that was payable by workers in this country of \$288.

In 1980, up to 10.16 percent, jumped it up to \$25,900, up to almost \$26,000, and the total tax paid in by any individual increased also to \$2,631.

By 2000, we are paying 12.4 percent; it is on \$76,200. That is indexed back in the so-called Greenspan Commission in 1983 where we changed the Social Security laws to cut benefits to increase the retirement age and to again increase taxes, and so the age today is the first 12.4 percent on \$84,000 because it is indexed to inflation.

I just cannot stress strongly enough, if we put off the solution to this problem, Washington, Congress, the House and the Senate and the President, are going to repeat what they have done so many times in the past until disaster is upon us and then simply wait until the disaster is upon us and then say we are going to have to increase taxes and cut benefits.

I call on my colleagues as aggressively as I can to say, look, the longer we put off the solution, the more drastic that solution is going to have to be, and it is unfair to American workers. The fact is that most American work-

ers today, 76 percent, pay more in Social Security tax than they do for income tax.

This is a pie chart that I thought would be good to represent how big Social Security has become as a portion of total State and Federal Government spending. Social Security now takes 22 percent of the total spending of the Federal Government. Defense, even with the problems in Iraq, Afghanistan, are still only 18 percent, growing up now to 19 percent.

Domestic discretionary, all of the arguments that we do from February through most of the year on the 13 appropriations bills uses up 19 percent of the total Federal budget compared to 22 percent for Social Security. Other entitlements, 14 percent; Medicaid, 6 percent; Medicare, 11 percent. But here again, if we add prescription drugs to Medicare, Medicare eventually over the next 30 years could overtake Social Security as far as the portion of the Federal budget that is used for that particular program.

It is easy for Members of Congress to try to do good and solve more problems for the people. In fact, I see part of the dilemma is a Member of Congress coming up with new problems to help solve some of those problems back home probably increases his or her chances of being reelected because they are on television and the front page of the newspaper cutting the ribbon for the new jogging trail or the new library or the new pork project or the new social program that they have introduced and passed in this Congress.

What do we do in a Congress that we have today where more and more Members of Congress represent a population that wants more from government? Right now over 50 percent of the people in the United States get more from government in government programs than they pay in in taxes, so we can understand a lot of those individuals go to their Member of Congress, or their Senator, and say I do not care about the increased taxes. And that is because they do not pay into the income tax contribution part of our programs here in this country, and so we have over 50 percent of the American people that now get more from government than they pay in taxes, and so the tendency of a lot of those individuals is to suggest to their representatives, let us have more government. I think this is a huge danger of taking away some of the things that has made this country great.

When our forefathers started this country 227 years ago, I think I am right on that, they said we want a Constitution that provides that those people that work hard, that save, that study and use that education end up better off than those that do not. And now we have a Congress that says let us sort of level the playing field and make sure that everybody has about the same, so we take away from the people that have been successful and give it to those individuals, maybe that

have had bad luck, but maybe they have not had the inspiration to save. I think there is a danger in taking away the motivation that has made this country great. The bigger government gets, the more empowerment we give bureaucrats; and the more we take away from individuals as far as being responsible for their own lives, the greater danger we face in terms of weakening our economy and weakening our relative economic position with the rest of the world.

Back to the Social Security, this chart shows the dilemma in terms of a short-term surplus and very long-term future deficits. There is going to be less money coming in in Social Security tax than is needed to pay out benefits in about 2016 to 2017. Some people suggest just have government pay back what government has borrowed from the Social Security trust fund and we will be okay. Well, I agree, government should keep their hands off the Social Security surplus and the trust fund, but now government has borrowed \$1.3 trillion from Social Security, and it is going to pay it back. It is going to be tough because we are going to have to increase taxes, or we are going to have to increase borrowing to come up with that \$1.3 trillion.

We will do that, but what do we do to come up with the estimated additional \$10 trillion that is needed to keep Social Security solvent? Again, this represents how there are fewer and fewer numbers of workers paying in their Social Security tax to cover benefits. In 1940, there were 38 workers working, paying in their taxes for every one retiree that we had in America. By 2000, it came down to three individuals that were working for every one retiree. As the ratio of workers to retirees diminishes, that means that if we are going to keep those retirees and seniors at the same level of Social Security, then the taxpayers, the current workers, are going to have to pay in more.

□ 2115

The prediction is that by 2025 there are going to be only two people working to come up with enough taxes to accommodate every senior that is retired.

Some people have suggested that if economic times were better, maybe we would solve the problem. Not so, Mr. Speaker. Insolvency is certain. We know how many people there are and when they will retire. We know that people will live longer in retirement, and we know how much they are going to pay in and how much they are going to take out.

Payroll taxes will not cover benefits starting in 2017, and the shortfalls will add up to \$120 trillion. That is hard for even Members of Congress to know how much \$1 trillion is, but it is going to add up to \$120 trillion that we are going to have to come up with by either increasing taxes or increasing borrowing over the next 75 years to keep the promises that we have made in Social Security.

That \$120 trillion paid over the next 75 years represents another statistic that I give, and that is that it is going to take about \$11 trillion today or \$11 trillion unfunded liability, and that means coming up with \$11 trillion today, put it in some kind of a savings account that is going to earn the average rate of return that we get on government bonds right now to accommodate the \$120 trillion. It earns interest over the next 75 years.

I am disappointed that there have been only 26 colleagues that I have counted in both the House and Senate that have been willing to sign on to a Social Security bill that has been scored to keep Social Security solvent. I mean, it is so easy to put off these challenges because it is an easy issue to demagogue. Ninety percent of the seniors today depend on Social Security for most of their retirement income. So one can understand that when a Democrat or a Republican comes up with a proposal for Social Security, and I know this for a fact because I introduced my first Social Security bill when I came to Congress in the 1993-1994 session of Congress, and the next election my opponents were saying "Nick Smith wants to ruin Social Security." It is easy to demagogue; so we have shied away from it. We have not stood up to our responsibilities.

I have heard Members of Congress say it is up to the President to decide. I have heard Members of Congress say the President maybe misled us on Iraq. The fact is that, for lack of a better word, we cannot be wimps in terms of our responsibility in Congress. Whether it is Iraq and we have the opportunity to have all of the classified information that the President does or whether it is solving Social Security, there is a responsibility for the initiative to come from Congress just as much as it should come from the President. This represents what we have borrowed from the trust funds.

And let me mention an interesting fact, in 1983, with the Greenspan Commission rewriting our Social Security laws, they suggested at that time that we needed the kind of increase, the 12.4 percent increase, in taxes with the increased base that we showed on that earlier chart. They suggested that we need a 12.4 percent on an expanded base that started at about 70,000 and is at 84,000 today, but they admit now that they made a mistake, that they increased taxes higher than what was needed. That is why former Senator Moynihan said, Let us lower the tax and have just enough tax to cover benefits; and of course, if we had done that, it would have made it very clear that this was a program that could not sustain itself and was not solvent.

Because of the increased tax, there was extra surplus coming in every year, and so now government borrowed that extra money that was not used when it came in. The money that was not used to pay benefits has now

amounted to \$1.3 trillion, but the shortfall after the full repayment of the trust fund is \$10 trillion. So it is going to take \$11.3 trillion as the current unfunded liability of Social Security, a huge amount, and it needs to be dealt with.

Social Security is a system stretched to its limits. Seventy-eight million baby boomers begin retiring in 2008. Seventy-eight million baby boomers begin retiring in 2008. That means any pay-as-you-go program, whether it is Social Security or Medicare, our anticipation that extra taxes are going to come in from workers is not correct in a situation where these workers are going to be fewer in relation to the number of retirees and to the additional responsibilities that government has in this country.

Social Security spending exceeds tax revenues in 2017, and Social Security trust funds go broke in 2037, that is, if we pay back all that we have borrowed. But remember what government has done in the past is to increase taxes and reduce benefits so that they do not have to pay it back, and that is the challenge, that is the threat. That is why every senior citizen should say to every candidate running for Congress next year, what are you going to do about Social Security? What bill have you written or what bill have you signed on to that is scored to keep Social Security solvent?

It is not new. I mentioned my first bill was in the 1993-1994 session of Congress when I first came to Congress. Here is what the Commissioner of Social Security Dorcas Hardy said back in 1991: "The crisis is coming fast, in the lifetime of a few already retired and of almost all those now under the age 55. The stakes are high, trillions of dollars."

In 1994, I said: "Failing to take prompt action on Social Security will burden our children and grandchildren with benefit cuts and crippling taxes," and that is what I said about every year, and it is so discouraging to not pay attention to what I think is one of America's greatest challenges, and that is to save Social Security.

We talk about Iraq. I think if we are going to talk about Iraq and what are our responsibilities on national security, it is just as important to look at retirement security and economic security in this country; and that means, as we talk about Afghanistan, Iraq, and what it is going to take for expenditures, we should also be talking about what it is going to take to keep Social Security solvent and to keep Medicare solvent.

Let me read a couple more quotes. "Will America grow up before it grows old? Will we make the needed transformation early, intelligently, and humanely, or procrastinate until delay exacts a huge price for those least able to afford it?" And that was the former Secretary of Commerce and Concord Coalition President Pete Peterson in 1996.

In 1998, Tim Penny, a Democrat from that side of the aisle, was very aggressive as he studied Social Security, and he said at that time, "We face a crisis in the Social Security system, and we can no longer wait to put it on sound footing. We need to move from the unreliable 'pay-as-you-go' system to one based on benefiting from real investment."

And in 1998 and 1999, I chaired the bipartisan Task Force on Social Security, and here is what all the Democrats and all the Republicans on that task force agreed when we completed. And we agreed, "Time is the enemy of Social Security reform, and we should move without delay," and, again, that was all the Democrats and all the Republicans that agreed to that fact.

And yet nothing happens.

This chart represents that Social Security is not a good investment. The columns represent how long one is going to have to live after they retire to break even on what they and their employer put into Social Security. Of course, in the early years, it was a good deal and they were getting started and were not working very long; so they got back everything they put in very quickly. But by 1995, they had to live 16 years after retirement. By 2005, they have to live 23 years after retirement to break even, and now it is up to 26 years.

The average return on Social Security is 2.7 percent. So can we do better than that? The answer is yes. We can guarantee that we can do better than 2.7 percent on a lot of investments. The Social Security Benefits Guarantee Act, when F.D.R. created the Social Security program over 6 decades ago, he wanted it to feature a private sector component to build retirement income, and Social Security was supposed to be one leg of a three-legged stool to support retirees. It was supposed to go hand in hand with personal savings and private pension plans.

I mentioned the Senate passed Social Security legislation that said there should be private accounts owned by the individual and so if that individual died before 65, it goes to their heirs. The House said government should do it all. When they went to conference, the House went out, and we ended up with the pay-as-you-go program that we have today that is going insolvent.

The diminishing return on the Social Security investment, the average return is less than 2 percent. It is about 1.7 percent. If they happen to be a minority because of the fact if we take the average young black worker, they die before the age of 65, before they gain all the benefits of the retirement program. So actually they do not break even; they have a negative return on what they pay into Social Security.

The average is 2.7 percent, but the Wilshire 5000, and that is from 1993 until 2003, even during these bad years of the stock market, these poor performing years of 2001, 2002, and 2003, even with those years included, the av-

erage return over and above inflation has been 7 percent.

So are we smart enough to come up with some way to have private accounts and limit what those private accounts can be invested in? And probably they are going to be managed by government. That is what I am suggesting. There are going to be limits on what that individual can invest in, but something like what Members of Congress and Federal employees are allowed to do now in the Thrift Savings Account, they would have some choices of how that money is invested.

Of course, the older one gets, the more reasonable it is to put more money in bonds and less money in equities. But just consider that for the last 100 years, any 14-year-period we have not averaged less than that 7 percent growth in equities. So if the economy and government and an indexed stock fund is not going to increase, then this country is not going to be economically well off anyway to pay Social Security benefits.

But the fact is that it is going to be, and when I suggest that there should be a program that is going to help the economy, requiring this additional savings and investment, that is what makes our economy tick. Our savings rate is one of the lowest in the world, but if we can encourage greater savings and investment, then we have a greater assurance that our economy is going to stay strong.

I am going to finish up with a fact that the United States, compared to other countries, has not done very well in moving into a system of having individually owned accounts. The U.S. trails many other countries. In the 18 years since Chile offered the PRAs, the Personal Retirement Accounts, 95 percent of Chilean workers have created accounts. Their average rate of return has been 11.3 percent per year. Among others, Australia, Britain, and Switzerland offer worker PRAs.

Let me conclude, Mr. Speaker, by reminding our Members that the Supreme Court on two occasions now have said that there is no entitlement for Social Security benefits, that government simply has put in a tax on people on the one hand, and on the other hand they are providing benefits that is called Social Security. But twice now the Supreme Court has said there is no entitlement.

□ 2130

Just because you paid into Social Security does not entitle you to take Social Security benefits. I mention that because the threat is, with Congress in a desperate situation, they are going to tend to reduce benefits. You can reduce benefits by reducing the COLA increase per year, you can reduce benefits by saying that you are going to have to retire at an older age, and you can reduce benefits by increasing taxes on individuals.

So I just plead with my colleagues, I plead with the American people, to be

vigilant this coming election, and ask your candidates that are running for President or for United States Senator or for this U.S. House of Representatives, have you written or signed onto legislation that is going to keep Social Security solvent?

INDEPENDENT PROSECUTOR NECESSARY TO INVESTIGATE LEAK REGARDING CIA

The SPEAKER pro tempore (Mr. MURPHY). Under a previous order of the House, the gentleman from Michigan (Mr. CONYERS) is recognized for 5 minutes.

Mr. CONYERS. Mr. Speaker, there are two matters that I bring to the attention of the Members of the House. One is whether or not the outing of a CIA operative calls for a special counsel. I would like to enlighten Members that the need to investigate the leaked name of a Central Intelligence Agency operative is one that requires a special counsel.

There are three factors required. The Justice Department has promulgated these regulations under several circumstances. The Attorney General is required to appoint a special counsel when a criminal investigation of a person or matter is warranted; or, two the investigation would present a conflict of interest for the Department; or, three, that it would be in the public interest to appoint an outside special counsel to assume the responsibility.

All three factors appear to be present here. The Justice Department answers the first question for us. It has opened a criminal investigation into charges of disclosing the name of a covert agent.

Second, that the investigation would present a conflict of interest for the Department would then be another basis for a special counsel. Here there is a clear conflict of interest. The Department of Justice investigation focused largely on the White House, which has already been directed to preserve all relevant records. The trail may lead to the Chief of Staff, Karl Rove, who is reported to be responsible for John Ashcroft's very appointment and was a consultant in several of his political campaigns.

Either way, it is inconceivable that such an investigation of the office that heads our entire government could not present a conflict of interest for a subordinate agency. That requires the appointment of a special counsel.

The third reason, of course, for a special counsel is that it is in the public interest.

So I am delighted to bring this important matter once more to the attention of the Members of Congress, because on October 5, 2003, Time magazine reveals that Attorney General Ashcroft paid Mr. Karl Rove \$746,000 for his work on three campaigns. I refer you to Duffy, "Leaking With a Vengeance," Time Magazine, October 5, 2003.

Mr. Speaker, this evening I want to report that I have sent the following