

ourselves the admonition of the gentlewoman from Texas. We have to find a way.

This is our way. Not everyone may understand what it is. They may be going up and down the television and see what is going on. This is called Special Orders. Special Orders means the regular business of the House, that is to say the scheduled business of the House, is completed for the day. This is our opportunity as Representatives, this is the opportunity of the 435 of us, who have had the faith and trust of our constituents placed in us, to come to the floor and engage in a dialogue not just with ourselves, but with the American people. Because part of the difficulty has been is the American people are watching this on television, or reading it in the newspaper, participating, if you will, at a distance, as to what is taking place, unless and until, of course, it hits you full force because a loved one has been hurt or harmed or killed, or someone that you know has had that experience. So it happens sporadically, and, from the point of view of the cosmos, indifferently around the country at various times.

So we are here on the floor, and I might say to those tuning in, we are here on the floor of the House of Representatives, surrounded by the galleries. In fact, our good friend the gentleman from Illinois (Mr. COSTELLO), the distinguished gentleman from Illinois has a group of his constituents in this gallery right now observing our proceedings.

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He is explaining to them as we are speaking now what it is we are doing on the floor here. It does not matter that the Chamber is not filled right now.

We spent our time this afternoon naming post offices. I was happy to do it. A good friend of mine had one of the post offices named after him. I was pleased to cast my vote for it. A wonderful opportunity to show our expression of what we would say in Hawaii is "aloha" for our good friend and others. We were happy to do that.

But our business here in these Special Orders is to engage the American people as best we can with that which we have before us. And as the gentleman from Illinois (Mr. COSTELLO) now is talking with his constituents here in the gallery, this is the freedom granted to us by the Constitution that we need to take advantage of, that we were obligated to take advantage of.

So the regret to me is, as the gentleman from Illinois (Mr. COSTELLO) no doubt has pointed out, right behind me here is the press gallery. Empty. Night after night empty. Now, maybe they can say, well, they are watching on television, if they care to.

But who wants to pay attention to Special Orders? Well, I will tell my colleagues what happens in Special Orders. Not just this kind of discussion, but my good friend, the gentleman

from Michigan (Mr. SMITH), night after night engaged in a conversation on the Social Security trust fund, what it takes to make the Social Security trust fund.

In fact, he just walked in right now. That is synchronicity. I did not know he was coming. Did my colleague happen to hear what I had to say? I do not know whether the cameras are on us or not. But the gentleman from Michigan (Mr. SMITH) has just come in.

I cite him as an example, as a prime example of someone who has faithfully come to the floor to explain his position on the Social Security trust fund, the implications of it for our country. That is the kind of thing that needs to be done. That is what this is about.

This Iraq Watch that we have faithfully committed ourselves to since the beginning of our concern that this war was going off on the wrong track, that this was taking place, that is why we are here. That is why I appreciate the gentleman yielding. I appreciate the fact that our good friend, the gentleman from Illinois (Mr. COSTELLO), and his constituents have observed us this evening, have seen democracy in action.

I am here to tell you as far as this gentleman is concerned, that I am going to take advantage of this opportunity that we have here on the floor and continue to exchange in the kind of dialogue that I hope will illuminate the issues of our day so that we can get a resolution on behalf of these brave men and women who are serving our country.

Mr. STRICKLAND. Mr. Speaker, I thank my friend, the gentleman from Hawaii (Mr. ABERCROMBIE), for joining us and thank my friend, the gentlewoman from Texas (Ms. JACKSON-LEE), in closing so the gentleman from Michigan (Mr. SMITH) can have his time to talk about his concerns.

I go back to something that I mentioned earlier in this time together and that is the fact that this very night we have young soldiers and middle-age soldiers in Iraq driving around in Humvees that are not armored. It puts them at greater risk. This problem can be solved much more quickly than the Pentagon is willing to solve it.

I talked to a radio personality back in my district today and she said, "Congressman, what can the people listening do about this?" I said, "Call the White House. The message ought to be this: Mr. President, provide our soldiers with armored Humvees as quickly as possible because life and limb are at stake."

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. BURNS). The Chair must remind Members to avoid improper allusions to visitors in the galleries.

SOCIAL SECURITY AND GOING DEEPER INTO DEBT

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

Mr. SMITH of Michigan. Mr. Speaker, as the gentleman from Hawaii (Mr. ABERCROMBIE) said, yes, we have had many conversations about Social Security including the stealing of the extra trust fund surplus that has been coming in. We have never been quite square with the American people.

I would yield to my colleague.

Mr. ABERCROMBIE. Mr. Speaker, I am very happy to join the gentleman from Michigan (Mr. SMITH). As one can see, the aura that he exudes when he comes to speak about Social Security must have been so powerful that the rays literally leapt out and said to me, say that the gentleman from Michigan (Mr. SMITH) is coming.

Mr. SMITH of Michigan. Mr. Speaker, I think that the people of Hawaii are still wide awake and listening to this debate.

Mr. Speaker, I am going to comment tonight not only on Social Security but what I consider a huge challenge for this country, and that is going deeper into debt and increasing the spending of the Federal Government and sacrificing the increased burdens of that increasing debt in addition to the kind of high taxes that it takes to accommodate this kind of spending and this kind of servicing of the debt.

The first chart I have is a pie chart that I wanted to sort of show how the Federal Government is spending \$2.4 trillion. And we see the largest piece of this pie is Social Security, spending 21 percent of all Federal spending; and that is going up.

In 1983 we had the Greenspan Commission that gathered together because Social Security was going broke, and what they decided is to dramatically increase taxes, payroll taxes, our FICA taxes, for Social Security and at the same time reduce benefits. And that is the challenge for Social Security, that is the challenge for Medicare, that is certainly the challenge for Medicaid, the three major programs where Members of Congress have continued to make promises over and above far beyond our ability to pay for them in the future. And that is the problem with extra pressure on increasing taxes and increasing debt on these kind of unfunded liabilities.

We see the other pieces of the pie. Defense is 20 percent; 2 years ago it was 19 percent.

Interest. Look at this issue of interest on the debt. It is now 14 percent of total spending. Within 6 to 8 years that amount of the piece of pie that interest consumes servicing this increasing national debt is probably going to double.

Now, interest rates right now are almost at record lows. We know that interest rates eventually are going to increase. And so increasing interest rates

in addition to the increased debt is going to consume a lot larger piece of the total Federal spending.

Then how do we accommodate that increased spending? Do we simply say, well, we are going to increase debt more or increase taxes more? Increasing debt puts additional pressure on the interest rates which is going to up interest rates and up the cost. If we increase taxes, that puts our businesses at a greater competitive disadvantage to other businesses in other countries that we are competing with.

Right now we charge our business approximately 18 percent more taxes than the taxes that are charged to our major competitors in the major industrialized countries of the world.

The other problem with the increased debt is how fast government is growing. The debt of this country, we are about 227 years old as a country, it took the first 200 years of this country to amass a debt of \$500 billion. Now, Mr. Speaker, we are going deeper in debt over \$500 billion a year. For the past several years, and it looks like as far as we can see into the future, we are continuing to increase debt over \$500 billion a year.

How can we do that? We can do it because Members of Congress have felt that it is in their political interest of getting reelected to expand government programs. And now we are in a situation where almost one-half of the adult population in the United States pays less than 1 percent of the total income tax so they do not have a lot at stake in terms of their pocketbook. So it is easier for that population to elect representatives that promise them more and more Federal programs, more and more Federal spending.

Look, there is no limit to the problems in the United States.

□ 2320

But a country that does not pay attention to the major concerns and major problems it is facing ends up being dismantled and diminishes. As strong a country as the United States is, militarily, economically, we cannot survive the kind of unfunded liability and increasing debts that we are accumulating.

Just briefly to go around the pie chart, and then I will go to unfunded liabilities in a second. The domestic discretionary is 16 percent. Other entitlements is 10 percent. Medicaid is 6 percent. Medicare is 12 percent.

Medicare is going to be overtaking Social Security in terms of its percentage of total Federal spending within the next 25 years. Here again, promises we made compounded by the demographics of an increasing retired generation of Americans compared to a relatively small number that are working in this country and paying in their taxes to accommodate Medicaid, Medicare, Social Security and the other programs.

On this next chart, Mr. Speaker, I ask everyone to consider the kind of

promises that we have made over and above our ability to pay for those promises. I call that unfunded liabilities. The massive unfunded liabilities, in other words, the promises we have made in some of these programs over and above the revenue that is coming in to pay for them, is going to become a disastrous challenge for this Nation. And we pass these budgets now, and we do not pay attention to what we are doing to take care of the problems of Medicare, Medicaid and Social Security.

Look at these figures. Medicare Part A, mostly hospitals, is \$21.8 trillion. That is going to be needed in today's dollar value to accommodate the promises that we have made just in Medicare Part A. When I say today's dollar value, in effect, these the accumulations, the sum of the Medicare A, B, Part D, and the Social Security comes to \$73.5 trillion. In other words, we would have to put \$73.5 trillion in a savings account that is going to grow with inflation and probably the time value of money to accommodate the more expensive wage inflation that represents the increase in benefits for many of these programs to accommodate what we are going to have to dig up in the future.

To me, Mr. Speaker, it is unconscionable. I hear Democrats say, well, we need more spending, we cannot cut taxes, but Democrats and their budget proposed greater spending than the Republicans did in their budget. But the Republicans, on the other hand, are suggesting in effect, let us borrow more money to accommodate the spending even though we start slowing down the spending. This year, probably the best year since 1995, 1996, we are holding spending down. But even so, Mr. Speaker, holding down this spending, we are still ending up with an increased expansion of the size of the Federal Government that is almost three times the rate of inflation.

So just imagine for a moment if you project this out, and the size of government is growing three times as fast as inflation, then we are going to have such an empowered Federal Government with such great dependency from the American people that even more Americans are going to call for more government services. I think as you look at the unfunded liabilities of \$73.5 trillion, Medicare Part B, mostly doctors, \$23.2 trillion. Medicare Part D is \$16.6 trillion. Medicare Part D is the new prescription drug bill that we passed. That is interesting.

Last November the projections for the unfunded liability were about \$7.5 trillion for the Medicare prescription drug program. Now with the actuary's report that came out about 4 weeks ago, the Medicare and the Social Security actuaries' report, the new estimate is \$16.6 trillion unfunded liability. So skyrocketing costs, prescription drugs are sometimes the kind of medical technology that can keep people out of the hospitals. And so if you go in

the hospital and you are on Medicare, then your prescriptions are covered. So it is reasonable for some of those drugs to be covered. But to have such a huge expansion of this program without cutting back and reforming the system so that it can survive and so it is sound financially again I think is a great mistake.

And of course, I had a tough night that night. I ended up voting against the prescription drug program because I am so concerned that we are digging a deeper hole in terms of the challenge that we are putting on our kids and our grandkids and our great-grandkids to try to pay back what we now consider is our justified overspending.

And think about that just for a moment. Do we pretend that their problems are not going to be as great or as challenging in the next generations, 10, 20, 30, 40 years from now? Because that is what you would have to assume when we see Democrats and Republicans, House and Senate, vote to expand spending to the extent that we are, continuing borrowing the money and expect future generations to pay off that debt.

Social Security, the Social Security Trust Fund's IOUs, we are going to have to come up with \$12 trillion to accommodate the increased promises for future Social Security retirees. About \$12 trillion, between 11-, it is between 11.9 and 12.2 that we are going to need over and above the Social Security FICA tax. That is 6.2 percent of what you earned for the employee, another 6.2 percent paid by the employer. But make no mistake, it all comes out of the employee's pocket. We are going to need that \$12 trillion over and above what is coming in over the next 75 years to pay for promised benefits.

How do we get this Congress' attention? I think, Mr. Speaker, the way to get the attention of Members of Congress is for voters in the United States, this election and every election, to say to individuals that are running for the House, that are running for the Senate, that are running for the President, look, what are you going to do about all of these promises that you cannot pay for? What are you going to do about the increasing debt that you are passing on to our kids and our grandkids, pretending that your problems today are so much greater than theirs? How do we get their attention? I think that is how we get their attention.

I think the American people have got to start realizing that you cannot just have government, some money that is printed in Washington, pay for more and more of the problems of America and more and more of the problems of the world.

We are in a war. During World War II, I was a little kid, and I collected string. I collected tin foil because Mom and Dad and Uncle Sam said that, look, you need to sacrifice. So during World War II we did. We cut way down on all other spending. Every family in America tried to sacrifice and help fight a

war, and we fought a war, and we won a war. But now we are pretending that it is not a real war, and there is no reason to justify cutting other spending because it might hurt us politically back home, and, of course, that is what happens.

I was on the Committee on the Budget for my first 8 years in Congress, and you start a new program, and, of course, if they can get funding to continue that program for a second year, it becomes almost like an entitlement, and they form their own lobbyists and special interests to lobby Congress by contributing to campaigns to encourage Members of Congress to continue to contribute and put money in the appropriations process to those programs. And make no mistake, when you take a race track home or a jogging trail or a bike path or a library or any of the other pork barrel projects, the news media probably puts you on television, puts you on the front page cutting the ribbon, and they say, look what our Congressman has brought home.

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Here is the problem. When you take pork back home to your District and it is in an appropriation bill, it obligates you as a Member of Congress to vote for everybody else's pork, and now we have put in so many line items of so many pork barrel projects that it has become one of the main reasons that we have expanded Federal Government spending.

This is another bar chart that represents how much money is going to come out of the general fund to accommodate these programs: Medicare and Medicaid and Social Security. If you see the year 2020, for example, 16 years away, unless we raise taxes or otherwise increase borrowing, we are going to have to reach in to the general fund to the extent of 28 percent, taking 28 percent of this general fund, just 16 years from now, to accommodate our overpromises. I say overpromises, maybe it is nice, maybe it is good, but the fact is we do not have the revenue to pay for those promises because what we are doing at the same time is increasing all spending.

We have had increased spending every year that I have been here. Earlier this evening I heard individuals saying, look, President Bush has been using all of the surplus revenues coming in from Social Security and that is bad, but that kind of demagoguery, that does not get us ahead.

The fact is, ever since Social Security started, anytime there has been more money coming in through Democrat administrations, through Republican administrations, through Republican control of the House and Senate and Democrat control of the House and Senate, every year we have spent all the surplus from Social Security coming in. There has never been a year since I have been in Congress and for the last 20 years at least that the total debt of this country has not increased.

We started bragging back in 1995 and 1996 of a lock box, but that did not last long. It was a gimmick phrase. Hopefully it was going to give us the intestinal fortitude to slow down our increase in spending. It did not work. In one year, we took the Social Security surplus and used it to pay down some of the public debt, sort of like changing credit cards, but the total public debt of this country subject to the debt limit never went down. It continued to go up. Now that debt is over \$7 trillion, and within the next four months we are going to have a vote in the House and Senate to, yet again, increase the public debt of this country, and hopefully, we can talk about that vote when it comes up, talk about the fact that we are putting an extra burden on our kids and our grandkids.

See what happens in the year 2030? If we do nothing to change these programs, it is going to take over 50 percent of the current general fund that we spend on the rest of the pie chart that we showed earlier to accommodate Medicare and Medicaid and Social Security. Let me talk a little bit before we close tonight about Social Security.

I was fortunate enough to chair the Bipartisan Task Force on Social Security. Democrats and Republicans, after we heard testimony from the experts for about a year, we all agreed that the longer we put off the solution to Social Security, the more drastic that solution is going to have to be.

With this chart I wanted to just give a quick bird's-eye view of the temporary surplus coming into Social Security, and that is because the taxes were increased so dramatically back in 1983 that we have had a surplus. Now we are anticipating 2017 or 2018 is when there is less money coming in from the Social Security tax than what is required to pay benefits, and there are a lot of people that think that somehow there is a Social Security fund with their name on it. Not so. This is a pay-as-you-go program. Let me just explain that pay-as-you-go program in Social Security.

Current workers pay in their FICA tax for Social Security on Monday, for example, and by Friday it is all sent out in benefits. Current workers pay the benefit of current retirees, and that is what is bringing us into the predicament that we are now facing. When we started Social Security back in 1934, the average age of death was 62, and the official retirement age for benefits was 65. What does that mean? That means that most people died before you paid out anything, and the program was working very well. Now people are living longer, the birthrate has gone down, and we are having a problem.

Here is how Social Security works. Benefits are highly progressive based on earnings. At retirement, all of a worker's wages up to the tax ceiling that is about now \$89,000, all of the wages are indexed to present value using wage inflation. What that means

is and what the next blip says is the best 35 years of earnings are averaged, but for example, if wage inflation doubles, let us say, every 12 years, so if 12 years ago you were making \$20,000, it is calculated on the way your Social Security benefits are calculated to be double that or \$40,000 now. So it is not the actual dollar amount that you earned 10, 20, 30 years ago. It is the wage inflation of what that kind of job would pay today.

Here is how the progressivity of the Social Security system works. If you are a very low income worker, you get almost 90 percent back in Social Security checks of what you were making on your job in payroll, 90 percent of the earnings up to the first \$7,344 is what you get back in Social Security payments. The next space between \$7,300 and \$44,200, you get 32 percent of that back, and then after that you get the 15 percent of earnings above the \$44,000. So the more you earn, the less percentage of what you get back. So if you are a very high income earner, it is a little over 15 percent. If you are a very low income earner, you get back up to 90 percent.

I just put this line in because a lot of people are concerned about the fact that early retirees receive adjusted benefits. It is true. If you retire early at 62, so based on the average life span, a wage benefit is calculated so the person that retires at 62 and now dies at the average age of 86 will get the same benefits as an individual that waits to 65 years old to start taking those benefits. If you wait until 66 or 67, your benefits actually increase in those two following years by 4 percent a year. So sometimes it is to your advantage to wait.

There has been a lot of debate and discussion on should we have personally-owned savings accounts that belong to the individual worker that the government cannot touch and that would bring in more earnings than what Social Security would. When President Roosevelt first came up with the proposal for Social Security, he suggested that it be privately-owned accounts, and it would still be accounts that you were required to put in a certain percentage of what you earn, but they would be in your name and you could not take them out until you retired.

It was interesting searching the archives. Actually, the Senate passed a bill for personally-owned accounts, and the House, the House said, well, government should be responsible and government should take in all the money and the Federal Government should invest it.

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I think probably when it went to conference, because it was so soon after the recession, that decision was made, well, we better let government do it instead of having those accounts personally owned. But Social Security is not a good investment. It is a system that

we know is stretched to its limits, and that is because 78 million baby boomers begin retiring in 2008. Social Security spending exceeds tax revenues in 2017. Social Security Trust Funds go broke in 2037.

Now, just a word on the trust funds. As I mentioned earlier, every year there is more money coming in from the Social Security tax than is needed to pay benefits, and right now we are bringing in about \$90 billion more than the benefits. But, again, that runs out in 2017-2018. That is when there is not enough money coming in.

The government writes out an IOU to the Social Security Trust Funds. It spends the money on other government programs or paying off some of the Wall Street debt. But, again, we have never had a year where the total debt of this country has not increased, so we are facing a predicament with Social Security Trust Funds. Even if they are paid back, it means increased borrowing or increased taxes.

I have a chart I hope to get through in a few minutes, because we are going to conclude this evening's session soon, that shows that every time the United States has been in problems with less money coming in than what is needed for Social Security, they have done one of three things. They have either increased taxes or reduced benefits or a combination of both. Usually, it is a combination of both.

Here is a pictorial view of the demographic problems of fewer and fewer people that are working and paying for the benefits of retirees. In 1947, there were 34 working Americans paying in their Social Security tax for every retiree. By the year 2000, it got down to three. The estimate is that by 2025 there is going to be two American workers paying an increased amount of Social Security tax to accommodate every retiree.

A lot of people say that economic growth will not fix Social Security. Social Security benefits are indexed to wage growth. So if you have a strong economy, and there is more jobs and higher wages, because you are paying in on those more jobs and higher wages temporarily, there is more money coming in to Social Security. But in the long run, when that person or that increased number retires, then there is more money going out of Social Security. So economic expansion, because of the fact that Social Security benefits are directly indexed to how much you were making when you were paying in, does not solve the problem. It simply tends to fill the hole a little in the early years, but it leaves a bigger hole in the later years.

The fact is that it is going to take more than economic growth to fix Social Security. And to think that you can fix Social Security simply by upping taxes again only solves the problem in the short run. We have to end up with a better return on those Social Security benefits.

As I make speeches around the country and around my Seventh District in

Michigan, a lot of people say, look, if government would keep their cotton-picking hands off the Social Security Trust Fund money, then everything would be okay. And I agree with that, we should keep our hands off that Social Security surplus. It should be really invested instead of spent on other programs. But to represent how great the problem is, what the challenge really is to Social Security, I did this bar chart.

Right now what we have borrowed from Social Security, taking all the extra money in every year, plus paying interest on it, the IOUs now amount to \$1.4 trillion. But the extent of the Social Security unfunded liability problem is between \$11.9 trillion and \$12.4 trillion. So I use the figure \$12.2 trillion as far as the unfunded liability. That is, again, what we need in today's dollars over and above what is going to be coming in from the Social Security tax.

The Social Security Trust Fund contains nothing but IOUs. To keep paying promised Social Security benefits, the payroll tax will have to be increased by nearly 50 percent, or benefits will have to be cut by 30 percent. To me, this shows why Social Security is not a good investment. The real return on Social Security, the return of what you and your employer, or if you are a sole proprietor, of what you pay into Social Security, the return on average is 1.7 percent.

And I compare that, over in the far right chart, which is the Wilshire 5000 Index. Over the last 10 years, even with a bad, poor 3 years on equity investments, still the 5000 equity stocks earned 11.86 percent. Compare that to the 1.7 percent that you receive from Social Security.

This is how many years it takes to break even on your Social Security benefits. By 2005, you have to live 23 years after retirement.

Okay, here, Mr. Speaker, is what we have been doing. Every time we have gotten in some problems, we have simply increased taxes. This chart shows the history of tax increases. In 1940, 2 percent of the first \$3,000. In 1960, they decided to raise it to 6 percent of \$4,800. Then in 1980, we made a big jump to 10.16 percent of the first \$26,000. By the year 2000, 12.4 percent of \$76,000. Now it is 12.4 percent of \$89,000 this next year. So what we have done is continued to increase taxes to the extent that now 78 percent of Americans pay more in the Social Security tax than they do in the income tax.

And that is what that chart says; 78 percent of families pay more in the payroll tax than in the income tax.

Here are six principles that seem reasonable to me as we try to face the challenge of how do we change Social Security, and one of the problems that I faced. I have introduced Social Security bills since I first came to Congress in 1993 that have been scored to keep Social Security solvent. In the changes back in 1993, 1994, 1995 and 1996, I did

not have to borrow any money from the general fund to accommodate some of the changes that would keep Social Security solvent.

The six principles that seem reasonable to me as we protect current and future beneficiaries are that we allow freedom of choice; we preserve the safety net; we make Americans better off, not worse off; we create a fully-funded system; and no tax increases. And maybe, if there is another blip, it should be a system that makes sure that the American economy stays strong instead of the kind of changes such as increased taxes that are going to weaken our economy.

Let me conclude, Mr. Speaker, by asking everybody to make a guess of what the FICA tax is in the country of France, for example. Right now the payroll deduction on wages in France is over 50 percent to accommodate the senior population. So no wonder France is having trouble competing. No wonder France did not want to spend any money in Iraq. No wonder there are demonstrations in France, because if you are paying a 50 percent tax on wages that you have to withhold, then you have two options. You either increase the price of your product, that makes you less competitive, or you increase the wages you pay to your worker. Let us not allow America and the United States to get into that kind of predicament.

Germany just went over 40 percent of payroll tax. So, again, Germany is discovering that it is much more difficult to compete.

Mr. Speaker, I would again encourage my colleagues and I would encourage the American people to start talking to their candidates that are running for Congress, that are running for the Senate, that are running for President of the United States. What is their plan in the long range to save Social Security, to keep Social Security solvent, to save Medicare and Medicaid and keep those programs solvent? It is a huge challenge, and we should be willing to face up to it.

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Mr. Speaker, we have had a system in this country where those who work hard and save and try and invest end up better than those who do not. So to continue to increase taxes on those individuals that do save and do try and do invest is going to discourage some of the motivation and incentives that have made this country great. Let us deal with these problems now. Great empires that put off solutions to important problems are those kinds of empires that collapse. Let us not allow that in America.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. FROST (at the request of Ms. PELOSI) for today on account of personal reasons.