

potential to leverage vast new resources. We are the wealthiest country in the world. We should be leading the charge. The Global Fund is the best vehicle to show that type of cooperation and provide for the quick release of this money.

Perhaps most importantly, we must stress and implement a balanced, comprehensive HIV prevention policy that includes abstinence, being faithful, and condoms.

Mr. Speaker, we must also go further. As United Nations Secretary General Kofi Annan said so eloquently in his remarks during the opening ceremonies on Sunday, we must place, he said, a special emphasis on reducing the cultural, social, economic, and political factors that increase the vulnerability of women and girls to HIV.

On July 9, just before leaving for Bangkok, I introduced H.R. 4792, The New United States Global HIV Prevention Strategy to Address the Needs of Women and Girls Act of 2004, with 54 original cosponsors. This bill would do just that. We need a focused effort on women and children. Women and children need the assistance of this country and a comprehensive strategy to address this pandemic.

The SPEAKER pro tempore (Mr. HENSARLING). Under a previous order of the House, the gentleman from California (Mr. SCHIFF) is recognized for 5 minutes.

(Mr. SCHIFF addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

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

(Mr. LIPINSKI addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. ANDREWS) is recognized for 5 minutes.

(Mr. ANDREWS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### INDIVIDUALS SHOULD HAVE A SECOND CHANCE

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

Mr. DAVIS of Illinois. Mr. Speaker, I come to the floor this evening because earlier today I failed to pass an amendment in a Committee on Education and the Workforce markup. My amendment was a very simple amendment, very modest amendment. It was an amendment that would have allowed States to move utilization of their leadership funds for vocational education from 1 percent to 3 percent.

Now, I think my amendment failed not because it lacked merit. I do not think it failed because it was too ambitious, but I think it failed basically because of a lack of understanding and sensitivity to what I think is emerging as one of the biggest problems facing urban America today, and that is, the problem of individuals coming home from prison with no skill, little education, no training and virtually no ability to get a job, which sends them right back to the penitentiaries from which they have come.

We have become, Mr. Speaker, the most incarcerated Nation on the face of the Earth, the United States of America. It is hard to believe, but we have more people in prison per capita than any other country on the face of the Earth. Right now, as I speak, there are more than 2 million people in this country who are incarcerated, in jails and prisons. More than 640,000 of them come home each and every year.

Now, I will not even bother to go into why there are so many people in prison: mandatory minimums, antiquated sentencing laws, get tough on drugs, punishment that does not fit the crime; of course, lack of prevention, lack of education, poverty; all of the things that characterize individuals who are in prison and, of course, in many instances, race and ethnic backgrounds.

The realities are, if we do not do something to stem the tide, then this problem keeps recurring over and over and over again.

Last year, I introduced a bill, the Public Safety Ex-Offender Self-Sufficiency Act of 2003, along with the gentleman from Indiana (Mr. SOUDER). That bill calls for the building of 100,000 units of SRO-type housing for ex-offenders, people as they come out of prison because all of the studies suggest that one of the biggest problems that people have when they return home from prison is having a stable environment in which to live.

About 3 weeks ago, the gentleman from Ohio (Mr. PORTMAN) and I and the gentleman from Ohio (Mrs. JONES) and the gentleman from Indiana (Mr. SOUDER) introduced the Second Chance Ex-Offender Act which is, in reality, a scaled-down version of our first bill. What we are really trying to do is to assist people to reenter back into normal life. It has nothing to do with getting soft on crime or being soft on crime, but it has everything to do with promoting public safety, with reducing recidivism, with improving the quality of life, not only for those individuals who return but for all of those with whom they come into contact.

So, Mr. Speaker, I hope that as we continue to move progressively in our country that we would take a different look at how we treat punishment and how individuals who have gone afoul of the law should have and must have a second chance.

The SPEAKER pro tempore. Under a previous order of the House, the gentle-

woman from California (Ms. MILLENDER-MCDONALD) is recognized for 5 minutes.

(Ms. MILLENDER-MCDONALD addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Ms. SCHAKOWSKY) is recognized for 5 minutes.

(Ms. SCHAKOWSKY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

#### THE BURDEN WE ARE PASSING ON TO OUR KIDS AND GRANDKIDS

The SPEAKER pro tempore. 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 New Jersey. Mr. Speaker, I recently received this in the mail, and I do not know if the cameras can really pick it up. It is a front page that is sort of startling.

It says the budget, bloated with pork. The national debt, soaring past \$7 trillion. Is it not time to fight back, is the main headline. Interest rates rising. Entitlement program, \$73 trillion in unfunded liabilities.

Sort of makes one realize the tremendous burden that we are passing on to our kids and our grandkids. It speaks of \$7 trillion dollar national debt, and of course, you have to pay interest on that national debt because you are borrowing the money.

Interest on that national debt now represents about 14 percent of the total budget. This pie chart represents how we are spending the \$2.4 trillion of expenditures this year. Interest at 14 percent, that represents \$800 billion that we are paying in interest, and interest rates now are relatively low. So that means, as interest rates go up, the portion of the total income coming into the Federal Government is going to be used up paying interest.

So two things: interest rates are going up, and the debt is going up faster than it ever has. We are now increasing the debt by over \$500 billion a year, and that is because we have a propensity to spend. Politicians have found out that they are more likely to be reelected if they bring home the pork barrel projects. They get on the paper cutting of the ribbon of the new facilities, of the jogging trails or the libraries or whatever, and that overspending, because of efforts to try or politicians to try to be liked by the people back home and to get elected is part of what is driving up our debt.

Over \$500 billion a year of deficit spending. Deficit spending means how much in 1 year we are overspending, over and above the revenues coming into government. That \$500 billion of increased debt a year, how do you put it in perspective?

Well, we are a country about 228 years old. It took the first 200 years of this country to amass a debt of \$500 billion. Now, we are going deeper in debt \$500 billion every year.

What does that do to our kids? I am a farmer from Michigan; and the way I was raised, what a farmer did for his kids was try to pay down the mortgage, hopefully make their life a little better than mom and dad's life was. But in this Congress, in this city of Washington, we are driving up that mortgage for our kids and our grandkids to pay off.

So two areas: one is the increased debt that we are laying on our kids and our grandkids, and the other is the increased promises of unfunded liabilities. Unfunded liabilities are the green-shade, the economists' words, for how much we are promising in benefits for programs such as Medicare, Medicaid, Social Security, how much we are promising in benefits over and above what revenues we have to pay for those benefits. This is \$73 trillion and putting \$73 trillion sort of in some kind of a measurable fashion, and I am not sure any of us can do that. Our current spending every year is just a little over \$2 trillion, and here is \$73 trillion that is needed to go into a savings account today that is going to have a return of at least interest rates that will accommodate inflation to pay for what we have promised in programs over and above what is coming in in revenues from the payroll tax.

Let me go around this pie chart, and then we will talk a little bit more about the unfunded liabilities.

You can see the biggest piece of pie is Social Security, using up 21 percent of total government spending; and so many people say, well, Congressman SMITH, you should not have that as part of the pie. Social Security is separate.

I would just point out that the Supreme Court now on two decisions has said that there is no entitlement to Social Security benefits just because you have paid in Social Security all your life. The Social Security payroll tax is simply a tax. The benefits that you might get are a separate, different program that Congress and the President has signed into law saying here are some benefits that you get at age 65; and of course, if you look back at history, we know that over the years we have changed those benefits dramatically. When we run out of money, we increase the tax and reduce benefits usually.

Going around the pie quickly, Medicare is at 12 percent. Now, with a prescription drug program, it is estimated that Medicare is going to overtake Social Security as a percentage of total spending within the next 20 years.

Medicaid is growing very rapidly at 6 percent. The reason Medicaid is going to be growing is more people who thought they were saving enough for retirement now are living much longer than they anticipated. They are using

up their savings; and once they are broke, they go on Medicaid.

□ 2200

Of course if you go to a nursing home, you end up paying \$40,000, \$50,000, \$60,000 a year to go into that nursing home facility, and if you are living very long, that means a lot of your savings are used up, and you go on Medicaid and then taxes pay for the Medicaid program.

Other entitlements represent 10 percent. Defense, I am going to skip over here to defense at 20 percent. Before Afghanistan and Iraq, defense was a little under 19 percent. Now we are going up to 20 percent, not a huge increase in terms of percentage of total budget, but here is the domestic discretionary spending that uses up 16 percent of the total Federal budget. On those 12 appropriations bills, it is what we spend most of the year, at least half to three-quarters of the year arguing about how we are going to spend that 16 percent of the budget.

My point is, unless we look at these other expenditures, the indebtedness and interest on the debt, Social Security programs that are going broke, Medicare programs that are going broke, Medicaid programs that are going broke, the so-called entitlement programs, which means that you are entitled to receive these benefits from other taxpayers if you are at a certain level of poverty, if you are at a certain level of poverty and have children, if you reach a certain age, if you are a veteran that is retiring, if you are a farmer that is in the farm programs.

So the entitlements are sort of like on automatic pilot. Unless we deal with some of those problems, the overpromising of those entitlement programs, we are going to leave our kids, grandkids and the future generations not only this massive debt that is now \$7 trillion, but the problem of trying to raise enough money to pay for the promises, and I would say the "overpromising" that this Congress has done.

I asked Art Laffer, an economist that I respect, the originator of the so-called Laffer Curve, I said "Art, what is worse, increasing taxes or increasing the debt?"

He said, "Well, in the long run they are about the same because increasing indebtedness is the promise of future taxes," and it is. To accommodate that 14 percent that we are now paying in the total Federal spending pie for interest, and that 14 percent is going up very quickly as interest rates go up and as we increase the debt, it is going to mean that we have to come up with money in some fashion to pay for it. So that brings us back to the propensity of politicians to spend more and promise more.

How do we get control of the overzealousness to try to solve more and more problems of the country? If we look back at the Framers of our Constitution that were brave enough to de-

clare independence from Great Britain, that wrote a Constitution that designed an economic incentive that those that work hard, that try, that save, that invest, that go to school and use that education are better off than those that do not, that is what has helped us be the strongest, most successful Nation on earth. It is not that we are smarter than anybody else in the world; it is that we have had that kind of motivation and incentive to do our very best, to come up with ideas and work hard.

Now, over the years we have sort of said, well, if you work hard and get a second job, and you wanted that second shift so you could have more money for your family, we are not only going to tax you more, we are going to tax you at a higher rate. So dividing that wealth of those that are successful, and so if you work hard and are successful, we are going to tax you more and more, and give it to the people over here. So it is sort of pay in according to your ability to pay in, and take out according to your need.

Mr. Speaker, we have to be careful that we do not lose that kind of incentive that has made this country great in our overzealousness to divide the wealth, number one, and to pass on to future generations the overspending that we are doing today. It is really somewhat egotistical, I think probably a better word might be "unconscionable," to think that our problems today are so great that it justifies spending the money our kids have not even earned yet.

Next chart, unfunded liabilities. What are they and what are the promises?

The three largest categories of unfunded liabilities are Medicare, Medicaid and Social Security. The Social Security and Medicare trustees have calculated that these programs have over \$73 trillion in unfunded liabilities. So \$73.5 trillion are going to have to be invested today to have a return that is going to accommodate inflation to pay what is needed to make up the difference between the revenues coming in in the payroll tax and what is needed to accommodate the current promises.

Breaking them down, Medicare Part A, mostly hospitals, \$21.8 trillion unfunded liability; Medicare Part B, \$2.2 trillion unfunded liability; Medicare Part D, the new prescription drug program, \$16.6 trillion unfunded liability; and Social Security with our promises, about \$12 trillion unfunded liability.

Those are huge problems. How are we ever going to solve those kinds of promises in relation to what this country is worth, what we can produce in our gross domestic product every year? We are now spending approximately 20 percent of the GDP in our funding at \$2.4 trillion. So that means 12, 13, some good years, maybe \$14 trillion is the total product, the total gross domestic product that we produce in this whole country in 1 year, and yet we are talking six times that amount that we need

right now if we are going to accommodate the future promises, the cost of the future promises we have made over and above what is coming in in revenues. Just huge problems.

So what do we do about it? We do not do anything. The longer we put the solutions to these problems off, the more drastic the solution is going to have to be. I have been working on Social Security, and I am going to talk a little bit about Social Security tonight.

It was estimated back in 1987 that we were going to run out of money for Social Security. Actually, I was in Michigan, and I was chairman of the Senate finance committee, the Senate taxation committee, if you will. That is where I wrote my first Social Security bill. When I looked at the fact that with people living longer and the birth-rate going down, Social Security was going to go broke. It was going to run out of money.

So I came into Congress. I was elected in 1992, and every session since I have introduced a Social Security bill. I have had my Social Security bills scored by the Social Security actuaries. They say that my bills would keep Social Security solvent essentially forever, even though they do it for the next 75 years. The way I structured my bills, it would keep Social Security solvent forever.

Nobody really wants to deal with Social Security, and let me tell you why. Because most of the seniors on Social Security depend on Social Security for 80 percent or more of their total retirement income.

So if you are dependent on that Social Security check, you can understand that it is very easy to scare a senior by saying, well, the gentleman from Michigan (Mr. SMITH) wants to ruin your Social Security and take your Social Security away from you.

It was tough in my first few elections. I have probably given between 270 and 300 speeches on Social Security in my district. I suspect that my Seventh Congressional District of Michigan is more aware of the problem of Social Security and that it is going broke than maybe any other part of the country. It is a huge problem.

I was made chairman of the Bipartisan Social Security Task Force, and we spent a year having expert witnesses come in to explain to the Republicans and Democrats on that task force the problems of Social Security, the fact that it was going broke, the fact that the longer we put off a solution, the more drastic that solution is going to have to be. So when we finished, we had a bipartisan agreement that there has got to be a better way to invest some of the money coming in to get a better return than we have in Social Security. We had an agreement, the longer you put off not dealing with this huge problem, the worse it is going to be, so it was important we all agreed to deal with it as quickly as possible.

So we wrote and introduced Social Security legislation. I have had Social

Security legislation introduced for the last 8 years which has had bipartisan sponsors of that legislation because those individuals on both sides of the aisle that are aware of the magnitude of this problem agree that we have got to move ahead with a solution to Social Security. We have to do the same thing with Medicare and Medicaid. We cannot go on pretending that it is okay to continue to increase spending because it seems to be popular at home.

Why is it popular at home? Here is my two bits worth as a farmer from southern Michigan. We now have approximately 50 percent of the adult population in the United States that only pays 1 percent of the income tax. So you can see that there will be some people in this country that say to Washington, to the President and Members of Congress, to the Senators, well, spend some more tax dollars helping me with my problem because it ends up that they are getting much more out of government than they are paying in in taxes.

That is another talk on where we go with this complicated Tax Code and the unfairness of the Tax Code. I think we need the kind of Tax Code that everybody pays at least something in to run the Federal Government so they have a stake in the overzealousness of politicians to spend tax dollars and increase taxes.

Now, in an election year and approaching this Presidential election, we have a lot of concerns from the Democrat side of the aisle that we are shortchanging spending on needed programs, such as this needed program and this needed program, so let us increase taxes to make sure that we are doing the right thing to spend money for this program.

This evening we heard a lot of comments that we have to go into Sudan and the atrocities which have been occurring in Darfur is partially our responsibility. I think it is, but it is not just singly the responsibility of the United States, it is the responsibility of all the countries of the world.

Maybe we sent the wrong signal when we went into Iraq. Maybe other countries sort of heard the message that if they did not do anything, the United States would do it anyway. There were 17 U.N. resolutions condemning Iraq. We knew that there were problems of tyrant dictators, accommodations for terrorists, and developing more and more weapons in several countries, Syria, Libya, Iran, Iraq, North Korea. After the terrorist attack of 9/11, it was appropriate that we go to the source of that problem and go into Afghanistan.

□ 2215

But here are countries developing more and more weapons, with tyrant dictators, accommodating terrorists, and so what should the choice be? Our first choice was go to the United Nations to try to get more countries to join with us in going after all of these countries to send a strong signal that

we are not going to allow the proliferation of weapons of mass destruction.

I bring this up because other countries said, well, why don't you go ahead and do it alone? We sort of did. Thank goodness for Great Britain that has joined us in that venture. But now we are challenged with some of these other countries. Maybe we are moving ahead with North Korea now in their development of nuclear weapons with the help of China because North Korea does not want to offend China and the other five countries that are putting pressure on them to stop their weapons of mass destruction, but my guess is we will do something like President Clinton did and that is essentially paying off the blackmail to get them to stop developing and selling weapons of mass destruction.

The decision was made because of the many U.N. resolutions, because of the fact that Saddam had used weapons of mass destruction on his own people, because of the fact that maybe if we could get Iraq to make a transition to a democracy and have an increased standard of living, it would make a huge difference in the countries surrounding them. I think that is true. If we are successful in Iraq, I think the people of Iran will not stand for not moving ahead with more liberty and more freedom in their particular country.

I recently visited Libya and met with Colonel Qaddafi. I think it was partially because he did not want to end up like Saddam Hussein did, is sort of my guess. As I talked to Colonel Qaddafi, it was like him coming to confession that he was a terrorist but he saw no reason to continue having those weapons of mass destruction. It is a good start and Colonel Qaddafi and Libya now are more a part of the World Trade Organization. It is going to end up being better for their country. But now we need to encourage the rest of the world to encourage these other countries to move in and be part of the world community, in trade, because in the long run it is going to be good for those countries.

It is going to be a huge challenge in stopping terrorism in this world. I am just so convinced that we cannot turn tail and run, that we have got to stick to it, we have got to be dedicated and whether it is Iraq or whether it is a continued fight to do away with terrorists in this world, we have got to work together to do it.

Mr. Speaker, next I am going to briefly go through a couple of these charts. This is the general revenue transfer. To make up the difference between what we promised in Medicare, Medicaid and Social Security and what is coming in from the payroll tax, this is in a few years what is going to have to come out of the general fund if we simply do nothing and let it go.

By 2020, that means that we are going to have to take 28 percent out of the general fund to make up the difference

between what is coming in in the payroll tax and what we promised in benefits for these programs. If we just go to 2030, another 26 years away, it is going to take over 52 percent of the general fund revenues to accommodate those programs.

So why do we not deal with it? Partially maybe because it is a tough question and it is a tough solution. There are only a couple of ways to fix the programs. You either increase taxes and have more revenue coming in, or you reduce benefits. Of course, that is what we have done over the years. Every time we have had problems with Social Security, we have either increased revenues or reduced benefits or a combination. That is what I think we need to guard against, simply because most adults in the United States today pay more in the payroll tax than they do in the income tax.

Here is a quick visual snapshot of the problems with Social Security. After the Greenspan Commission in 1983, we have surplus revenues coming in because we had a dramatic increase in the payroll tax, increased revenues coming in over and above what Social Security is paying out; and then by 2017 the red portion of the chart begins, and that is the time when we have to come up with money from more borrowing or more taxes to pay promised benefits.

Here is how Social Security works. Just very briefly, the payout is very progressive. The taxes being paid in are not progressive. Benefits are progressive, and they are based on earnings at retirement. All of a worker's wages up to the tax ceiling, which is now \$89,000 a year, are indexed to present value using wage inflation. Present value means if you had a certain job 20 years ago and wages double every 10 years, then for calculating your Social Security benefits, they up the wages to what that job would be paying on the day you retire. The best 35 years of earnings are averaged, the annual benefits for those retiring in 2004, and here is the progressive part: if you are very low income, you get back in a monthly check 90 percent of what you were getting when you were working. So 90 percent of the earnings up to \$7,300 are what you get in your Social Security check. Thirty-two percent of the earnings between the \$7,300 and the \$44,000. Then everything over that, you get 15 percent of your earnings above \$44,000.

If you are very rich, you get maybe 16 percent of your average wage back in Social Security benefits. If you are very low income, then you get 90 percent of what you are earning weekly or monthly or biweekly back in a Social Security check. Early retirees receive adjusted benefits, and I added a column on this one. When we started Social Security in 1934, it was interesting going through the archives. Franklin Roosevelt said that there should be a private sector savings account owned by the individual, and actually the Senate passed a Social Security bill that had a

savings account owned by the individuals but with the provision that you could not use any of the money until you retired at age 65. Actually, it worked very well then because the average age of death was 62 and so most people died before they became eligible for benefits and this pay-as-you-go program worked very well.

Pay-as-you-go, let me just explain that a second. When you have the deduction of the 12.4 percent for Social Security, a total of 15.2 percent payroll tax, your employer sends in that money. By the end of the week, that money is sent out to existing retirees. So there is no savings account with anybody's name on it. It is a pay-as-you-go program. So the taxes come in, and they are immediately sent out to existing beneficiaries, sort of like the chain letter.

I remember a cartoon I once saw with the elderly person saying, well, I am going to retire, how does Social Security work? And here is Uncle Sam saying, well, see this long list. You put your name at the bottom of the list, and then you send your money to the person on the top of the list.

And so it is sort of like a chain letter and you hope there is going to be some money left when your name at the bottom of the list gets closer to the top of the list.

Social Security was supposed to be one leg of a three-legged stool. I would encourage every person under 55 years old to make an aggressive effort to start putting aside savings for your retirement. The challenges for this country in the next 10 years when we start running out of money for Social Security and Medicare and Medicaid, between 10 and 20 years, there is going to be a dramatic pressure to increase taxes and reduce benefits.

My argument to try to get business and industry on board in terms of the need to have a Social Security solution and a Medicare and Medicaid solution is the consequences of doing nothing and that is what we see happening in many countries around the world.

Mr. Speaker, I would ask everybody to just make a guess of what the payroll tax is, for example, in France to accommodate their senior citizens. It is now over 50 percent of the payroll. So you can see that that makes that country much less competitive. They have either got to pay their workers less wages, and that is why there are a lot of strikes over in France, or they have got to increase the price of their product that makes them less competitive. In Germany, the payroll tax in Germany just went over 40 percent. Japan is hard-pressed in terms of their taxes that are needed to accommodate their senior population.

So for goodness sake, let us not keep putting off these problems for the next Congress because we do not know exactly how to deal with it, so we end up with that kind of taxes and that kind of pressure on our businesses that are going to put our businesses at a greater

competitive disadvantage as they try to compete in world trade.

Social Security is a system stretched to its limits. There are 78 million baby boomers that begin retiring in just 3½ years; 78 million baby boomers begin retiring in 2008. Social Security spending exceeds tax revenues in 2017, and the trust funds go broke. Insolvency is certain. It does not take a guess. 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. We know how much they will pay in and how much they will take out. The actuaries' estimate right now is payroll taxes will not cover benefits starting in 2017, and the shortfalls will add up to \$120 trillion between 2017 and 2075, \$120 trillion that we are going to need. The \$120 trillion is what we need in all those future years one year after the other. That is what would be accommodated if we put \$12 trillion into a savings account now that would have a return of at least inflation and the time value of money.

Here is sort of a chart that shows what has gotten us into this predicament. That is the demographics. Our pay-as-you-go retirement system will not meet the challenge of demographic change. Back in 1940, we had 28 workers working and paying in their Social Security tax to accommodate every one retiree. So here are 28 people sharing the cost of every one retiree. By the year 2000, it got down to three workers paying in their taxes, and the three of them sharing the cost and benefits for Social Security of every retiree. The estimate by the actuaries is by 2025, we are only going to have two workers trying to pay enough tax to accommodate one retiree. That is what is happening, and that is why our taxes continue to go up; and if we do nothing, it means increasing the tax.

I have read by some, some on this side of the aisle, that, look, all we need is a strong economy, so if we can have a strong economy and better jobs and better wages and more profit, it will do it. But here is the problem. Because benefits are directly related to the wages you get in and as there are more jobs and more people working and more wages, that means that temporarily it fixes the problem because you have a little more money coming in; but because benefits are directly tied to the wages that you make, it means the payout in future years is going to be greater. So in the long run it does not fix the program. Growth makes the numbers look better now, but leaves a larger hole to fill later. In my talks around the country and around Michigan, people say, well, if Congress would just keep its cotton-picking hands off the Social Security trust fund.

□ 2230

We should do that. What we should be doing with the trust fund is getting a real return on it. But what Congress has been doing, and the President, for the last 20 years is, every time there is

a little extra money coming in from Social Security, we spend it on other government programs. Right now, government owes the trust fund, because that is what we do, we write out an IOU. Government owes the Social Security trust fund \$1.4 trillion, but the shortfall, what we are going to need, is \$12.2 trillion. So just the trust fund by itself is not going to accommodate or solve the problem.

Social Security has a total unfunded liability of \$12 trillion. The Social Security trust fund contains nothing but IOUs, and 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.

In this chart I have tried to show that Social Security is not a good investment. The average retiree only gets back a 1.7 percent return over inflation for the money they and their employers send into Social Security. Actually, if one happens to be a minority whose average age is 63½ right now, they actually end up with a negative return because they die before they hit 65 and start collecting benefits. The average is 1.7 percent return.

But the market, in this case I did a graph showing the Wilshire 5000, the average of 5,000 stocks for the last 10 years. Even with the poor returns that we have had for over the past 3½, 4 years, even with those poor returns, the Wilshire 5000 has returned 11.8 percent over and above inflation.

So how about that? How about having some of this money coming in from Social Security, invested in accounts? And I think there has got to be a limitation on accounts, so what I do in my bills is, I do it sort of like the Thrift Savings Account, index stocks, index bonds, index mutual funds, the option of foreign stock funds. Once one has accumulated a certain \$2,500 in their retirement account, and they cannot use it, government is going to control it, once they get to that level, then there could be more flexibility as determined by the Secretary of Treasury in terms of additional alternative investments that one might use.

This is how many years one has got to live after they retire to break even on the money they and their employer put into Social Security or, if one is self-employed, the money they put in. If people retired in 1960, it was a pretty good deal. They only had to live 2 years after retirement. But now, in 2005, people are going to have to live 23 years after they retire to break even on the money they sent in for Social Security. By 2015 it goes up to 26 years that people are going to have to live after retirement. And, look, that might be possible. The age of life has continued to increase.

Here is the chart I want to finish with. And that is the danger of doing nothing. What we have done in the past is increase taxes or reduce benefits every time we have had a problem with enough money to pay out promised

benefits. And over the years we have increased benefits, too, for Social Security. In fact, in 1965 we amended the Social Security bill to start the Medicare program. So that was a huge new challenge and huge new promises that are going to put our kids and our grandkids even deeper in debt.

Just going up from the 1½ percent in 1940, we raised it to 2 percent of the first 3,000. In 1960, running short of money again for the increased benefits, we tripled the rate, a 300 percent increase in the rate going up to 6 percent, and we increased the base, too, to 4,800.

By 1980, we raised the tax rate to 10.16 percent of the first 25,900. By 2000, again we raised the rate up to 12.4 percent of the first 76,200; in 2004, 12.4 percent of the first 87,900, but now it is 12.4 percent of the first 89,000. So we have continued to increase the tax.

And I just plead, Mr. Speaker, with everybody that might be listening that they, as workers in America, or their kids that are going to be working if they retire, should not be asked to pay a higher and higher tax to accommodate the existing retirees. Probably the people that are retiring this year, and I have not seen the statistics, but I would guess they are probably one of the most wealthy generations that ever has retired in America.

Six principles of saving Social Security, and here is what I sent out to all the Members of the House and all the Members of the Senate: Protect current and future beneficiaries; allow freedom of choice, and in my legislation, we can guarantee that they are going to have as much return by having their own investment as they would if they stayed in the current system, so we guarantee that the return on their private savings account that they own, that government is going to control it, that they cannot take it out until they are 65 or until they have an annuity that is going to prove that they are never going to fall back on other taxpayers. That, in a sense, says that one can be an average worker and retire as a very wealthy person if they start saving this money.

And some of these counties have had the option of not using the Social Security because that is the way the legislation was written. A municipality or a State can have the option of investing their own money or going into Social Security. Some of these counties are giving to their retirees that invested their own money over the last 60 years up to nine and ten times as much as Social Security pays similar wage-earning retirees.

Mr. Speaker, I am going to close with the plea that we work together to make this kind of a bipartisan effort. It may be our chance next year after this Presidential election. I would guess that if we cannot do it in the first 4 years of a President's term, then it is going to be difficult to make the tough decisions that are required to solve these kinds of problems in Social Security

and solve the kinds of problems that we need to be looking at in Medicare and Medicaid and some of the other entitlement programs. It is just unfair, unconscionable, to pretend that our problems are so great today that we have to take the money and the savings of our kids and our grandkids because they are going to have their own problems and their own concerns.

#### THE COMPLEXITY OF OUR TAX CODE

The SPEAKER pro tempore (Mr. BISHOP of Utah). Under the Speaker's announced policy of January 7, 2003, the gentleman from Maryland (Mr. HOYER) is recognized for 60 minutes as the designee of the minority leader.

Mr. HOYER. Mr. Speaker, I want to say to the gentleman from Michigan that I was very interested in his remarks, and I agreed with a lot of his remarks. Where we would disagree is our responsibility is if we are going to buy things to pay for them. And I would say, with all due respect to my friend, for the last 40 months we have not been doing that.

We continue to buy and we are not paying. And that is why that half-a-trillion-dollar debt to which he referred has been accumulated, and this year it may be a little less or a little more, but I agree with his general proposition that we need to come together, and if we are going to buy, pay for it and not pass it along to future generations, because as the gentleman so correctly pointed out, if we incur debt today, it is inevitably taxes tomorrow.

It is, I think, appropriate that we transit from a discussion about the deficit that confronts us, the obligations confront us, and talk about the way we pay for what government is asked to provide.

Mr. Speaker, I am pleased to be leading this Democratic special order tonight on an issue that confronts millions of Americans every single year, the unbelievable complexity of our tax laws.

All of us, of course, bear some responsibility for the complexity of our Tax Code. Democrats and Republicans and every American, every American who believes that the tax preferences that he or she utilizes are worthwhile. Considered individually, the tax preferences that are part of the code, of course, can be rationalized: the charitable deduction, a very worthwhile effort; the mortgage interest deduction, which has provided for America being now one of the largest home-owning countries in the world, a good provision.

Collectively, however, they are a jumble of confusion that causes unfair results and has a corrosive effect on our democracy. As Paul O'Neill, the former Secretary of the Treasury, who is no longer with us, perhaps because of candor, said, "One of the unseen consequences of our Tax Code's complexity