had terrible will, he had terrible intentions; but we had him contained. He did not have the weapons. He did not have the capability. We had him contained with the no-fly zones, and we had him deterred.

The real threat to the United States in the Middle East is Iran, because Iran is not a fascist dictatorship. Iran is a religious fanatic dictatorship. Religious fanatics cannot be deterred. You cannot deter a suicide bomber. If Saddam Hussein had gotten nuclear weapons, which he was nowhere near getting, the CIA said 7 to 10 years, and we knew that before we attacked them. But had he gotten nuclear weapons, deterrence would have stopped him from using them, because he was a fascist dictator, not a religious fanatic, and he did not want to just kill himself and his whole country.

But the mullahs in charge, the ayatollahs in charge in Iran are religious fanatics and unless that regime is changed, and there is a lot of domestic opposition to it and maybe we will be saved by regime change, by domestic insurrection, but if that does not happen, they are trying to get nuclear weapons; and if Iran gets nuclear weapons, if a religious dictatorship, religious fanatic dictatorship gets nuclear weapons, they may very well use them. They say they would. You read the speeches of Mr. Rafsanjani, the former president, the current chairman of the council of expediency. He says they would use it. They say they want to destroy American civilization, and you have to take them at their word. We cannot permit this regime if it survives to have nuclear weapons, even if that should mean a few years down the road the necessity for military action because they might use those nuclear weapons simply for the greater glory of Allah. They say they would. You have to believe them. If it became necessary, if President Bush or President KERRY or their successor 5 years from now or 8 years from now came before this House and said, based on our intelligence, we know that the Iranians are about to get nuclear weapons, and we know that they would use them and we must stop them now, and therefore I ask authorization for action, who would believe that President?

We cried wolf in Iraq. Like the fabled shepherd boy who cried wolf, we have no credibility, not this administration certainly and even another administration will have a long way to go to regain the credibility of the United States and of our intelligence agencies. To deal with a nonexistent phantom threat in Iraq, we have made the problem of dealing with a very possibly real mortal threat in Iran in years to come 40 or 50 times more difficult because that is where the threat might really be.

Mr. DELAHUNT. I just want to read into the RECORD a quote by a former distinguished Member of this body that commanded respect on both sides of the aisle. I refer to a good Republican from Nebraska, Doug Bereuter, who was the vice chair of the Permanent Select Committee on Intelligence and, as you well know, one of the most respected Members of this House. In a farewell letter to his constituents, this is what he had to say:

''It was a mistake to launch the invasion of Iraq.'' And to underscore the point that the gentleman from New York was making, ''Our country's reputation around the world has never been lower and our alliances are weakened. Now we are immersed in a dangerous, costly mess and there is no easy and quick way to end our responsibilities in Iraq without creating bigger future problems in the region and in general in the Muslim world.''

I daresay what he is saying is our credibility is at its lowest point probably in modern American history. That does present a threat to our national security as we go forward.

Mr. NADLER. I thank the gentleman and I thank Representative Bereuter for being honest and being right. Unfortunately, he is right. We are in a quagmire in Iraq. We must extricate ourselves. I do not know how, frankly. We must extricate ourselves, and we must get our priorities straight. We have a war being waged against us by the Muslim terrorists, not by all Muslims, but by the Muslim terrorists. There is a civil war going on in the Muslim world. We must have Radio Free Islam. We must try to help the moderates against the jihadists.

But we must also protect ourselves. We must fight the terrorists, but we must lead a worldwide civilized effort against the Islamic terrorists. To do that we have to have credibility around the world. We have to have alliances around the world. It is not wrong to have alliances. When Vice President CHENEY said, shamefully, that if Senator KERRY is elected President, our country would not be safe, I think it more accurately could be said the other way around, because this administration does not have its priorities straight. It is not protecting us against the threat of Islamic jihadists having nuclear weapons, as they will if we do not get control of those nuclear materials as fast as possible, if we do not spend $3 billion or $4 billion a year for the next 4 years and get them the heck out of Russia and Uzbekistan and Pakistan and the 40 countries around the world.

We are at risk if we do not protect our ports by having every container inspected electronically or by hand before it is put on a ship bound to the United States. We are at risk if we do not protect our nuclear facilities and our chemical facilities and our transportation facilities in this country, if we do not harden this country.

We have been talking about this, but we will not spend the money. This administration talks a great game about national security, but it will not spend the money. It will spend it in Iraq, it will spend it on an ABM system against a nonexistent threat, but against the real threats of nuclear terrorism, of nuclear explosions in this country, against the real threats of bombs coming in in a container, of the real threat of missiles, of shoulder-fired missiles being launched on American airliners, against the real threat of our nuclear facilities, our chemical facilities, our transportation facilities being targeted, we are not spending the money because they care about Iraq, they care about the ABM, they care about the tax cuts for the rich, but they do not seem to really care about the safety and security of the American people; or if they do care, they do not seem to understand where the real dangers are coming from.

□ 2200

We must secure the nuclear materials. We must protect the containers and other shipping facilities abroad. We must protect the ships coming here. We must harden our nuclear and chemical and transportation facilities, and this will cost a lot of money. And we must ally with other countries in a worldwide alliance against the Muslim terrorists so that when a cell is broken up in Hamburg by German intelligence, by German police work, that helps us. We must have a worldwide effort here, and we must spend the money on the real threats and not on these phantom threats that this administration is preoccupied with.

SOCIAL SECURITY AND THE BUDGET

The SPEAKER pro tempore (Mr. CARTER). 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, those that have tuned into the previous presentation I think understand that there are many challenges facing the United States of America. There are many needs, whether it is health or education or welfare or more money for transportation or more money for national security. I think we need to pause for a moment sometime and ask ourselves how far and how much money should be spent by the Federal Government in solving an unlimited array of problems. National security certainly is important, and we have upped our stakes and upped our expenditures for national security.

I came to Congress 12 years ago; and when I came in, I said I was going to serve six terms. So this is my final term in Congress. Several priorities I set for myself that I thought were important for the Federal Government to deal with, and one was balancing the budget and the other was trying to change Social Security so it becomes solvent, so it stays viable for so many of our senior Americans that need that money to stay out of the poverty level.

I am going to talk for some minutes tonight about overspending, and predominantly I am going to concentrate on what I have been very interested in, and that is keeping the solvency of Social Security.

The overexpenditure of Federal funds this year is now $574 billion. We are spending $574 billion more than what is coming in in revenues to the Federal Government. Some people have bragged in the last several weeks that the new budget analysis says that we have lowered the deficit spending for 2004. The fact is that we have lowered it some. Some use the figures $422 billion, and I want to explain, Mr. Speaker, why that is misleading and technically untrue. 422 billion is the money that we are borrowing to pay for our overspending, not including what we borrow from Social Security. So if we, I think, were fair with the Social Security Administration and the trust fund and future generations, then the real amount that we are overspending this year is $574 billion. The estimated overexpenditure for next year again is over $500 billion. Last year it was over $500 billion. The year before that it was over $500 billion.

How do we put that money into perspective? Well, the Federal budget in 2004 is $2.4 trillion approximately. We are a country that is now 228 years old. It took the first 200 years to amass a debt of $500 billion. Now we are going deeper into debt $500 billion every year. What does that mean? I do not think it takes a genius economist to understand the implication that that has for future generations. Somebody is going to have to deal with that debt.

This is a pie chart. And one of the areas on the pie chart, just around the 3:30 to 5 o'clock area, the purple section on the pie chart, is interest which represents 14 percent of total Federal spending. Fourteen percent of total Federal spending is what we are paying in interest, and this is at a time when interest rates are relatively low; and it does not consider how much we are going deeper and deeper into debt every year. So the implication of what we are paying in interest, roughly $300 billion a year, becomes a responsibility of our kids and our grandkids. If we are a family, if we are a business, we do not simply continue to go deeper and deeper into debt without any plans of ever paying it back. And the Federal Government does not have any plans of paying it back.

What we found out politically is that if Members of Congress, Members of the House, Members of the Senate, the White House, promise more solutions to more of the problems that we have in this country, in this world, they are more apt to get reelected. So what we have been doing is in two areas putting a tremendous burden on our kids and our grandkids. One is the overspending that we just talked about. The other is overpromising and overpromising means that we are making promises that we do not have the money to pay for. And the economists with the green eyeshades call that unfunded liability.

Let me just briefly go around the pie chart of expenditures. Social Security is the largest expenditure of the Federal Government. Some people say why do we put Social Security as part of a Federal expenditure in the budget? It is a separate program. The reason is that the Supreme Court on two occasions now has said that Social Security taxes are simply another tax, benefits are simply another benefit program passed by the Congress and signed by the President. So 21 percent of the Federal budget is now spent for Social Security benefits, roughly $500 billion a year. Medicare is 12 percent, but it is growing rapidly with the addition of the prescription drug bill.

Medicare and Medicaid will overtake Social Security within the next 15 to 20 years. Other entitlements, 10 percent; domestic discretionary spending, 16 percent. We have 13 appropriation bills. We have now filed, by the way, the 12th appropriation bill. Hopefully we can complete the appropriation process before the election so the people of the country know what we are doing in terms of spending instead of coming back in a lame duck session, which I consider dangerous with the temptation of overspending. Twelve appropriation bills are represented by the 16 percent. One of the appropriation bills, defense, is 20 percent. We spend most of the year arguing about the 16 percent of the Federal budget that we spend in those 12 appropriation bills.

I want the Members to take a quick look at the overpromising that we mentioned. This is one of the trustees of Medicare and of Social Security. These are his estimates of unfunded liabilities, the amount that we have promised over and above the revenues coming in in a payroll tax, the FICA tax. The Social Security and Medicare trustees have calculated that we have $73.5 trillion in unfunded liabilities. Medicare part A, which is mostly the hospitals, 21.8 trillion; Medicare part B, 23.2 trillion; Medicare part D, the new drug program, $16.6 trillion. So the prescription drug program that we recently passed adds $16 trillion to unfunded liabilities that somehow, some way, sometime our kids or our grandkids or our great grandkids are going to have to figure out a way to come up with those revenues to pay the interest on this huge amount of borrowing.

Let me just mention what I consider another serious ramification of this overspending, that is, where we are getting the money. Whom do we borrow the money from when we overspend $574 billion this fiscal year 2004? Seventy percent of that net increase that we need in borrowing comes from foreign interests. So here are foreign countries, foreign individuals that are lending and buying our Treasury bills because they figure it is a fairly good investment for the time being.

What if some of these countries, such as China, which is amassing one of the largest, fastest-growing trade deficits that has extra U.S. dollars that is buying our Treasury bills, not to mention the equities in the United States that they are buying, what if they say some day, We think you are treating us unfairly in this trade agreement and we just might have to pull our money out of the United States? Economically it would be a disaster if this large amount of money that we depend on coming from foreign countries and foreign interests were pulled out of the United States. They are investing in the United States. That is a good sign. They are investing in the United States because they figure it is a good place to invest their money. What if someday, sometime that we continue to overspend to the extent that our economy is no longer the strongest, the best economy in the world, they decide to invest elsewhere?

I am just suggesting, Mr. Speaker, that not only is overspending bad, but it makes us more vulnerable as these Treasury bills are bought up by foreign interests.

Again, an unfunded liability is the amount of money that we would have to put in a bank account that is going to return, at least with inflation and the time value of money, to accommodate what we are going to owe for the next 75 years in these programs.

The next chart shows what we have to take out of the general fund, out of the money that we spend for health, welfare, transportation, military. This is the amount of money that we are going to have to take out of the general fund to accommodate the entitlement programs of Medicare, Medicaid, and Social Security over the next 75 years. And as we see, simply 16 years from now, it is going to be 28 percent of the general fund budget that is going to have to be contributed to accommodate the needs of these entitlement programs. That is probably not realistic.

So what are we going to do? We are either going to increase borrowing, where we have talked about the disadvantages of simply continuing to borrow more and more money, or we are going to have to dramatically increase taxes. One of these days we are going to have to increase taxes.

I will not go through the whole chart, but if we do not increase taxes and get additional revenues from someplace else, and already there is a suggestion by the trustees that we could increase the payroll tax now by 15 percent to accommodate our needs, and the fact is that most working Americans now pay more in the payroll tax than they do in the income tax. But by 2030 without an increase in tax, we are going to have over 50 percent of the general fund budget that is going to have to be contributed to these entitlement programs.

This is a quick birds-eye view of the Social Security problem. Surpluses coming in until about 2018, they diminish. The surpluses are coming in from

Social Security simply because the Greenspan Commission in 1983 increased taxes and reduced benefits so much that there was extra surplus money coming in. And what of course has happened to that surplus is this Chamber and the Senate and the White House has spent all of that extra money coming in from Social Security for other government programs.

□ 2215

It is not there anymore. So the trustees are guessing that by 2018 there is going to be less revenues coming in from the payroll tax than can accommodate the promises for Social Security. Then a huge future of deficits, and nobody is guessing where the money should come from.

We are talking about a lot of things in this election, as you decide who your next Congressman is going to be, as you decide who your next President is going to be. What we are not talking enough about is what we are going to do about these huge challenges that are facing us in these programs, especially Social Security and Medicare.

Senator KERRY has said on his Web site, and let me quote that, that he will not raise taxes on Social Security, he will not raise the retirement age, he will not cut benefits for those that rely on Social Security, he will not in any way privatize the program. I really do not know what else Senator KERRY plans to do.

There are only a couple of ways to solve Social Security, or a combination. You either bring in more revenues, or you cut benefits, or it is a combination of both. It is not complicated. So why are people not talking about solutions for Social Security? Why have the Republicans not come up with a proposal for solving this tremendously important program for so many seniors? Why have the Democrats not?

I have introduced a Social Security bill every session since I have been in Congress. The attacks on me for my first Social Security bills were, ''Do not vote to reelect NICK SMITH. He is trying to ruin Social Security and take your Social Security away.'' Social Security solutions have been demagogued to the extent that most Members of Congress, most politicians, are afraid to come out with a proposal to solve Social Security.

I was chairman of the Social Security Task Force. We held hearings for about a year. We ended up with both the Democrats and Republicans on that task force agreeing to the fact that Social Security was going broke, and that the longer we put off a solution to solve Social Security, the more drastic that solution would have to be. Of course, that has been my experience over the six Social Security bills that I have introduced that have been scored by the Social Security Administration to keep Social Security solvent.

My last Social Security bill that I introduced last year is much more drastic. It requires additional borrowing from the general fund that we pay back 60 years from now simply because of, if you remember the chart, the surpluses coming in from Social Security are diminishing, and those are going to run out. Then we are going to have to come up somehow with the money to pay back Social Security.

Social Security works this way: Benefits are highly progressive and based on earnings. That means that lower-income people, they get back 90 percent. If you are low-income, you get back 90 percent of the wages you were making on the average during those working years. If you are a high-income person, then you get back as low as about 15 percent of the income you were receiving from Social Security. So that is why it is highly progressive. The lower-income people get back a much higher percentage of their working years' benefits.

At retirement, all of a worker's wages up to the tax ceiling are indexed to present value using wage inflation. In other words, they do not average in what you were making 20 years ago or 30 years ago, they average in, in effect, what that job would be paying today. That is what they add up for your best 35 years to decide what your average earnings are, and therefore what your benefits are going to be.

Here is how benefits are calculated: Ninety percent of earnings up to $7,344 is going to be what the low-income earner gets back; 32 percent of the earnings between the $7,344 and $44,000; and then 15 percent you get back of your earnings above $44,286. Early retirees receive adjusted benefits. In fact, if you delay retirement over 65, then you get an increase in benefits for those years that you delay benefits.

I put this last blip in, because so many people complain about the abuses of the Supplemental Security Income that is administered by Social Security, but does not come out of the Social Security Trust Fund.

When we started Social Security in 1934, Franklin Roosevelt started it, people during the Great Depression were going to the poorhouse. His idea was if there can be some forced savings during your working years, you will have a program that gives you more social security in your retirement years. So in 1934, we started the Social Security program.

It was created not to be the sole income of retirees, but to be one of a three-legged stool. As I visited the Archives, in fact, they have the brochures back in those years of the three-legged stool; one being your pension benefits from work, one being what you save yourself, and the other Social Security programs. But now more and more people are depending on Social Security as their main source of retirement income.

Social Security was supposed to be one of the legs of the three-legged stool to support retirees. It was supposed to go hand-in-hand with personal savings and private pension plans.

Let me tell you something interesting in terms of the debate and arguments between the House and the Senate when we formed Social Security. The Senate actually passed a bill that it would be privately owned bank accounts by the individual workers, but that they could not take out that money until they retired. But it would be their money, and if they died before age 65, then it would be passed on to their heirs.

The House, on the other hand, passed legislation that said the government should take in all of this money, control it, and then promise a fixed benefit at retirement. So if a person died before age 65, they would not get anything.

It worked very well in those early years. But the compromise between the House and the Senate, with some of the concerns about the investments of the great stock market crash of the late 1920s and early 1930s, the compromise was that we have the Social Security plan that we have today, which means that government takes in all of the money, and if there is any extra, government spends it on something else and still continues to promise benefits.

What we have done, because it is politically popular, we have expanded the Social Security benefit program to include spouses and then to include early retirement. In 1965, we amended the Social Security Act to start the Medicare program that now is going to overtake the base Social Security program as a cost item.

The fact is that Social Security is a system stretched to its limits. Seventy-eight million baby-boomers begin retiring in 2008, Social Security spending exceeds tax revenues in 2017, and Social Security Trust Funds go broke in 2037.

The Social Security Trust Funds, however, there is going to be less money coming in from Social Security than we need to pay in benefits starting in 2017 and 2018, so where is the government going to come up with that money? I suspect the easy way will be borrowing more money. Of course, that means enticing more foreign investors to invest in our Treasury bills.

We are going to pay it back, but the fact is the $1.4 trillion the government now owes in Social Security does not accommodate the $12 trillion unfunded liability for Social Security. Again, let me repeat that we would have to put around $11.8 trillion in a savings account today drawing the interest that would reflect inflation and the time value of money to accommodate what is going to be needed over the next 75 years to keep our Social Security promises.

We know how many people there are and when they will retire. This is what the Social Security trustees do. We know that people will live longer in retirement. We know how much they will pay in and how much they will take out. Payroll taxes will not cover benefits starting in 2017, and the shortfalls will add up to $120 trillion between 2017 and 2075.

This is all sort of downer news. But the good news, Mr. Speaker, is more and more people are aware that Social Security is a huge problem. We are talking about it a little bit in some of the campaigns.

Alan Greenspan, Chairman Alan Greenspan on several occasions now has said, look, do not put it off any longer. You have got to do something to keep Social Security solvent. It is not fair to future retirees to simply let them go on thinking that they are going to receive these benefits, and then the money is not going to be there when they retire. So, hooray for Alan Greenspan.

But when Alan Greenspan, the Chairman of the Fed, said that in committee, both Republicans and Democrats jumped on him, saying, look, no way. We are going to protect our seniors. We are not going to reduce benefits, and we are not going to increase taxes.

Well, you cannot do it that way.

This is a quick picture of the demographic problems we are running into. People are living longer, and the birth rate is going down. Therefore, when you have a program that is pay-as-you-go, that depends on current workers to pay in their payroll tax that within 5 days goes out to pay benefits, if you do not have a growing working population, then you are in trouble. That is the problem with Social Security.

In 1940, we had 28 people working, dividing between them what is needed for each retiree. In the year 2000, it went down to three people working, dividing between those three one person's Social Security benefits. By 2025, in the United States there is going to be two people working paying in benefits for Social Security.

Here is the danger. Here is what I tell the business community, the National Association of Manufacturers, in encouraging them to be more aggressive in supporting Social Security reform: That if we do nothing, the danger is increasing the payroll tax. And what does that mean? That means we become less competitive in this country.

Look at France. Guess what the payroll tax is in France to accommodate their senior retired population? It is over 50 percent. So no wonder France is complaining and demonstrating and striking to try to get better returns on their wages, and no wonder their economy is tremendously challenged.

Germany just went over 40 percent of their payroll tax to accommodate their senior population. If we do not do anything and we simply keep putting off the problem, then we are destined to have the kind of tax increase that is going to make us less competitive in a world economy that is challenging us more and more every year, and that is a huge challenge.

I chair the Subcommittee on Research of the Committee on Science, and what we are looking at is a lot of our talent is moving overseas. As we become more and more restrictive on homeland security, for example, it means that it is tougher and tougher for foreign students to get into our universities to do their graduate work in math or physics or chemistry, in the sciences. That is what we have depended on. Half of our research in the United States that is government-funded, that is, most all of our basic research, has been done by foreign students. The other part of that problem is that our seniors in high school have scored very low on international tests in science and math.

So our challenges are huge, to do a better job in education; to do a better job in our homes, with parents encouraging their students; to do a better job to encourage more students to achieve in science and math if we are going to start holding some of these foreign students out of our country.

Some people have suggested, in fact I wrote a letter to the editor of the Wall Street Journal when there was an op-ed saying if our economy grows, that is going to fix Social Security. Here is why that is not true. Social Security benefits are indexed to wage growth.

□ 2230

In other words, if the economy grows and more people are working and wages go up, that means that your benefits are going to also go up eventually. When the economy grows, workers pay in more in taxes, but also will earn more in benefits when they retire. Growth makes the numbers look better now, but leaves the larger hole to fill later. The administration has used these short-term advantages for the last 16 years to say, well, maybe the economy will work us out of this problem.

I have incorporated in the bill that I introduced last year, I have incorporated some of President Clinton's ideas on how to deal with the Social Security problem. I have incorporated some of President Bush's ideas, and it has now been scored by the Social Security Administration that it will keep Social Security solvent. A lot of people, and I have given maybe 200 speeches around my district and the United States on Social Security, a lot of people say, well, if Congress would keep their hands off the surplus coming in from Social Security, everything would be okay. I wanted to show this chart to show what is needed versus what the trust fund is.

The trust fund now, with interest that has accrued every year, is $1.4 trillion. What is needed for the unfunded liability for Social Security is $12.2 trillion. So we are going to pay the trust fund back, but it is not even going to come close to accommodating the need of up until 2075, what is needed in Social Security. Shortfalls will add up to $120 trillion in future dollars, but that means right now the unfunded liability, $12 trillion, would have to go into a savings account, returning at least interest that accommodates inflation.

Social Security as a total unfunded liability of $12 trillion. 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.

Hang on, everybody. Hang on, Mr. Speaker. This is tough going. This is sort of a 35-minute tutorial on Social Security, and if everybody knows everything on these charts, they probably know more than most Members of the House and the Senate and many of the economists. But what is satisfying is that more and more people are talking about it. And I think it is good to ask the Members of Congress and the candidates for President what their plan is for saving Social Security and Medicare.

But on the other hand, a campaign year is probably not a good time to force a solution, simply because it is so easy to scare half of the retirees in this country that depend so much on Social Security. So you can understand how they can be swayed in their vote of who they vote for, and just the suggestion that the opposing candidate is going to take away their Social Security benefits. So I think our best chance is in the first year of a 4-year term of the President. So I am hoping, whether it is KERRY or Bush, that they will not dig a hole so tight that it limits real solutions to keep this program solvent for a long time, hopefully forever.

Social Security is not a good investment. That is what this chart shows. The real return of Social Security is less than 2 percent, and that compares to over 7 percent for the market, on average. So if you invested in equities and keep them at least 12 years, your average return is 7 percent.

This shows that minorities get less, a negative return from their investment in Social Security. That is because the average return, the average life span of a black male is 62 years old, and it is interesting that that was the average life span when we started Social Security. Up until about 1940, the average age of death was about 62; but even from the very beginning, the benefit entitlement did not start until age 65. So you can see Social Security worked very well in those early years, because most people did not live long enough to start collecting benefits.

The average return that the average Social Security recipient gets is just under 2 percent. This is what the market pays on average, 7 percent. However, the Wilshire 5,000 actually earned 11.86 percent, and that was over and above inflation, over the decade that ended January 31, 2004. So even in the slump years of equities, these 5,000 stocks of the Wilshire average still was over, almost 12 percent return on investment. Again, that compares to an average of 7 percent for the average retiree, for the money they pay in in Social Security.

This is how long you have to live after retirement to break even on the money that you and your employer sent in on Social Security. In 2005, you have to live 23 years after you retire; and as you see, it goes up to 26 years after 2015. That is because we keep increasing the amount that you pay in.

Here is the danger. Here is maybe the most important chart I think of why we need to do something with Social Security. And that is historically, every time we have had a problem with less money coming in than what we need to pay benefits, we have increased taxes and reduced benefits. Here is the history of tax increases. In 1940, it went up to 2 percent from the 1 percent, to $3,000. In 1960 we ran a little short of money, so we tripled the tax rate up to 6 percent, and we increased the base to $4,800. In 1980, we increased the tax rate to 10.16 percent, and increased the base to $25,900. In the year 2000, we increased the tax rate to 12.4 percent of the first $26,700. In 2004, we did not increase the tax; but the base has gone up to, it is now $89,000 base that you pay Social Security taxes on. I think I mentioned most all working Americans, 78 percent of families pay more in the payroll tax than they do the income tax.

So to increase taxes I think is a bad idea; it is a wrong idea. It is bad for the economy. Let us encourage the kind of changes in Social Security that are going to tend to help the economy by helping more money in investing.

I am going to briefly run through my Social Security bill. It is scored by the Social Security Administration actuaries to restore the long-term solvency of Social Security. There is no increase in the retirement age, no changes in the COLA, the cost of living annual payments, or, there is no changes in the benefits for any senior or near-term seniors. Solvency is achieved through higher returns from worker accounts and slowing the increase in benefits for the highest earning retirees.

So what I do is I add another ben point. Remember earlier when we talked about the high income gets 15 percent of their wages. I add another ben point that is 5 percent that results in slowing down the increase in benefits for high-income retirees. I mean, somehow it is going to take money. That is one of the benefits.

The Social Security trust fund continues. Voluntary accounts would start at 2.5 percent of income and would increase to 8 percent of income by 2075. And the personally owned worker savings account is voluntary, number one. And number two, we guarantee that they are going to have as much return and revenue and retirement benefits from that personally owned retirement account as they would from the traditional Social Security. So with that guarantee, we assume that everybody under 50 years old at least is going to have that kind of personally owned account where they own the money. If something happens to them before they reach retirement age, it is going to be passed on to their heirs instead of the Federal Government. Investments would be safe, widely diversified, and investment providers would be subject to government oversight. The government would supplement the account of workers earning less than $35,000 to ensure that they build up significant savings.

This is one of President Clinton's ideas. I think it was the USA account he called it, as I recall. It simply says, for those lower-income workers, so that they can experience the magic of compound interest, we will add a little bit to their personally owned savings account so that even modest workers can retire as much wealthier retirees.

All worker accounts would be owned by the worker and invested through pools supervised by the government, something like the Thrift Savings Plan that all Federal employees have now. Regulations would be instituted to prevent people from taking undue risk, and workers would have a choice of three safe index funds with more options after their balance reaches $2,500. And even then, it has to be an investment determined by the Secretary of the Treasury that is a safe investment.

And for my last three charts, accounts are voluntary and participants would receive benefits directly from the government, along with their accounts. Government benefits would be offset based on the money deposited into their accounts, not on the money earned; and workers could expect to earn more from their account than from traditional Social Security.

These are some things that have concerned me a little bit in terms of fairness. To be politically correct, maybe I should say fairness to spouses; but, in truth, it is fairness to women. So these are some provisions that I have included in the bill. For married couples, account contributions would be pooled and then divided equally between husband and wife. In other words, everything that the husband is allowed to invest in his private account would be added to the amount that the wife is allowed to invest in her private account. They would be added together and divided by two, so both the husband and the wife would have identical investments in their personally owned account. It would increase surviving spouse benefits to 110 percent of the higher earning spouse's benefit.

Right now, if the husband dies, the wife is entitled to 100 percent of the husband's benefit, and then she loses whatever benefit she was getting.

It is important that we look at ways to keep more and more people in their own homes, rather than going to nursing homes and going on Medicaid. So increasing this benefit 110 percent is estimated to keep a lot more people in their own homes rather than going to nursing homes. And the last change is stay-at-home mothers with kids under 5 would receive retirement credit in the way their Social Security benefits are calculated.

Here is some additional provisions in the bill, just briefly. Increased contribution limits for IRAs and 401(k)s and pension plans to increase more personal efforts at savings. A 33 percent tax credit for purchase of long-term care insurance up to $1,000, $2,000 per couple per year. Low-income seniors would be eligible for a $1,000 tax credit for expenses related to living in their own home, and households caring for dependent parents would also be eligible for a $1,000 credit for expenses.

Back to the beginning of my presentation. We are faced with a lot of challenges, a lot of problems. And what we have to face up to is how many problems should the Federal Government, through increased taxes or increased borrowing, solve. And somehow, people that go to the ballot box and elect Members of Congress and elect their President are going to have to make eventually that decision: How much do we want to go in debt in this country? How vulnerable do we want to be to the foreign investments that are now buying up more and more of our equities and our Treasury bills?

So I just plead with, Mr. Speaker, through you to all America, as we go through this election year in November, consider some of the ramifications of the huge challenges, in addition to national security. How much should we be spending in addition to the programs that we just debated earlier this evening that we are going to be voting on tomorrow, a program that it is hard to object to, but it is a new $80 million program that sets up a Federal Government fund in schools to try to reduce suicide rates.

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To me, I am still debating how to vote on that bill because I am concerned about that increased borrowing and expanding government programs at a time when we are going so deep in debt and when the interest on that debt is eating up a larger and larger share of our Federal budget.

IRAQ WATCH

The SPEAKER pro tempore (Mr. CARTER). Under the Speaker's announced policy of January 7, 2003, the gentleman from Washington (Mr. INSLEE) is recognized for half the time remaining to midnight, approximately 37 minutes.

Mr. INSLEE. Mr. Speaker, we have come here tonight, my colleagues the gentleman from Massachusetts (Mr. DELAHUNT), the gentleman from Ohio (Mr. STRICKLAND) and others who may join us, as a part of our continued obligation under the Iraq Watch to present a discussion and an honest critique of the administration's policy in Iraq. My colleagues and I have been engaged in this series of discussions now for several months, and we have done this for one simple purpose. We do not intend to allow the incredible commitment by