

The cynicism of our young people toward Social Security is a matter of real concern. A recent poll of 1600 Americans between the ages of eighteen and thirty-five showed that more of them expected to see a UFO in their lifetime than a social security check.

I was in Santiago, Chile last week to review what has been done there over the past fifteen years with their Social Security system. In 1980, their approach looked a lot like ours, a system of transfer payments featuring high withholding taxes and an endless, futile struggle to keep benefits up with inflation. In 1981 the government offered workers their choice of staying in the old system or moving to a new system in which a mandatory ten percent of wages are automatically invested in an individual investment account, with an option to add as much as ten percent voluntarily. The worker chooses one of several private Pension Fund Administration companies to invest the account. These AFP's are like mutual funds, putting money in stocks, bonds and government debt. Workers are free to move from one AFP to another, so there is competition among companies to provide higher returns and better service. About one-fourth of the Chilean work-force signed up for the new system in the first month, and more than ninety percent are now in it. The results have been phenomenal. More than half of Chile's retirees have done so well that they have taken early retirement.

I believe a lot of Americans would choose a system like this over Social Security or UFO's. The thirty-eight million beneficiaries of the current system and the number of workers in their forties, fifties and sixties who cannot have a full working career under a savings plan present transition problems as we change systems. We cannot break faith with these people, but we do not need to. The problems are formidable, but they are surmountable so long as we fund the transition through reduced governmental spending in other areas, not future borrowing.

A conceptually similar idea is emerging to deal with Medicare. The idea is medical savings accounts. In these, individuals would be able to put an amount like three thousand dollars into a tax-free account. The money could come either from the employer or the employee. Some form of catastrophe insurance would cover expenses beyond this first three thousand, but the effect would be to put individuals in charge of expenditures for routine care, medication, eyeglasses and the like. This would bring most health care expenditures under the control of the marketplace, with all the attendant benefits of competition and price comparison.

This, then, is the shape of the revolution which can see us safely through our third and fourth centuries of nationhood.

Devolution to give us a lean, responsive government with the power and the money where it belongs, closest to the people. Not too big and not too small. Just la-de-da.

#### A NEW TAX SYSTEM FOR THE 21ST CENTURY

(By J. Kenneth Blackwell and Steve Entin)

The National Commission on Economic Growth and Tax Reform has just issued its recommendations for a new tax system for the 21st century. The Commission wants to scrap the current tax system, with its biases against saving and growth and its complicated rules that give favors to some taxpayers and impose penalties and uncertainties on most of the population. In its place, the Commission favors a similar, fairer system that will reward thrift and hard work, raise employment, and lift family incomes.

The Commission would like the new tax system to have a generous exempt amount, high enough to enable lower income families and individuals to take care of their basics

needs and get an economic head start before the federal government takes a part of their income. The exempt amount should not be so high, however, that too great a share of the population becomes insensitive to the cost of government.

Above the exempt amount, the Commission favors a single low tax rate that would treat all citizens equally before the law. Income is a measure of what one contributes to the economy through work, saving, and investment. Anyone contributing to the economy by producing additional goods and services should be equally rewarded. A single rate system allows that.

The current system of graduated tax rates slaps increasing tax penalties on people the more that they add to the economy. It punishes people who take the time to get an education and earn higher income over a shorter working life. It punishes people who take the risk to start their own businesses in hopes of a greater income. It punishes people the more that they save and invest. These penalties hurt not only the individuals who pay the higher rates, but all the people they might employ or who might work at higher wages with the plant and equipment that more saving would make possible.

The Commission favors extending the deduction of payroll taxes, now allowed only for employers, to employees as well. The object is to increase employment and to reduce the burden of the payroll tax on the incomes of middle income workers.

Savers and investors are treated very badly under the current tax system, unless they have access to a very good pension plan. People pay tax when they earn their income. If they use the after-tax income for consumption, there is generally no further federal tax. If they buy a bond, there is tax on the interest. If they buy stock, there is corporate tax on the earnings, individual tax on the dividends, and capital gains tax if the earnings are reinvested and the share price rises. If they buy a machine for their business, complex depreciation schedules result in understated costs and over-stated taxable income. There is an estate tax if the saver doesn't live to spend the money. Current law is clearly biased against saving and investment.

The Commission would end these biases. It would let savers defer tax on their saving until they withdraw it for consumption, as in a pension; if saving is not deductible, the returns should not be taxed, as with tax exempt bonds. Either approach would put saving on the same basis as income used for consumption, and would let people save more easily for a home, an education, or retirement. An individual saving \$1,000 per year from age 20 onward could build a retirement nest egg of more than \$400,000, compared to about \$250,000 under current law, providing a 60% increase in retirement income and security.

The Commission would end the estate tax and the double taxation of businesses and their shareholders. It favors deducting investment in full when the outlay is made, instead of stringing the write-off out over years or decades, as under current law, losing value and depressing investment and employment.

What would such a tax system do for the average family? Professor Dale Jorgenson of Harvard University told the Commission that a tax system that ended the biases against saving and investment would lift the level of output and income in the economy by between 15 and 20 percent within a few years. Investment, productivity, wages, and employment would all rise. Gains of that size would rise the yearly income of a typical working family by between \$4,000 to \$6,000, and by more if they are savers.

Some people worry that setting the system right will cost the Treasury revenue. But the current tax code is costing the economy and everyone in it a fortune in lost income. That lost income, and the added taxes that would be paid on it, must be factored into the calculation. That, and a modicum of federal spending restraint, could make a growth-friendly tax system a reality. There is no reason not to scrap the current tax system and set things right. Everyone would be a winner.

IN HONOR OF THE 46TH ANNIVERSARY OF

HON. ROBERT MENENDEZ

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, January 25, 1996

Mr. MENENDEZ. Mr. Speaker, I rise today to honor the Indian-American community and the people of India, celebrating the 46th anniversary of India's Republic Day. Throughout the United States, members of the Indian-American community will hold festivities to mark this occasion.

On January 26, 1950, the Indian Constitution became law and the day was named Republic Day. This document symbolizes the principles of democracy and secularism, which India cherishes. Its author, Dr. B.R. Ambedkar, was influenced greatly by the U.S. Constitution and the Bill of Rights. Since India became a republic, it has continued to hold free and fair elections, to support a multiparty political system and to transfer power peacefully.

The relationship between the United States and India is still unfolding. The United States and India share many similarities. Both of our countries are former British colonies. English is a vital language of communication throughout India. Democracy continues to thrive in both places. The Indian judiciary system is based on English common law. In addition, India is proceeding with its economic reforms to develop a vibrant market economy.

India still faces the challenges of achieving economic development while ensuring harmony between its many ethnic, religious, and linguistic communities. In spite of these obstacles, India has strengthened its democratic institutions by harnessing the potential of its multireligious, multiethnic and multilingual citizenry.

Bilateral trade between the United States and India is flourishing. The activities of American companies have made the United States India's leading trade partner. Recently, a consortium of American companies, led by the Enron Corp., successfully renegotiated a deal to complete a \$2.5 billion power plant in the state of Maharashtra. United States companies are positioned to fill India's appetite for services and products.

India is committed to maintaining its democracy and economic reform program. The Indian-American community, with over 1 million people, has taken a particular interest in promoting United States-India relations. Please join me today in honoring the world's most populous democracy, India, on the 46th anniversary of its Republic Day.

DOWN PAYMENT ON AMERICA'S  
FUTURE

HON. RON PACKARD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, January 25, 1996*

Mr. PACKARD. Mr. Speaker, I am very disappointed that even after a very compelling State of the Union Address, the President still only pays lip service to a balanced budget. He spoke of a smaller Government, of reforming welfare and Medicare and of limitless possibilities for the 21st century. Well, the truth is, he has vetoed the very legislation that would implement these changes and proposed countless new programs.

Balancing the budget is not a partisan issue. It is an American issue. We need to find a way to do it—to work together as the President urged. I fear, however, that the President remains a congenital liberal, taxing and spending away America's future. Unless the President is willing to make hard decisions, such as reforming entitlements, we will never get a handle on unwieldy Federal spending. Right now, entitlement programs alone, account for more 50 percent of Federal outlays. We cannot continue on this path.

My Republican colleagues and I will continue to work for a balanced budget. While it may not be possible with this President, we can make a down payment. The funding bill before us today takes those critical first steps. It continues to fund existing programs for which the President has not signed a regular appropriations bill, reducing spending on many bloated programs, and eliminating some which have proven to be ineffective.

Mr. Speaker, the President has talked the talk, but it is time for him to walk the walk. He made a commitment to the American people on Tuesday night not to shut the Government down again. This funding measure gives him the opportunity to not only keep his word to the America, but to make a down payment on a balanced budget and a better future for the generations to come.

TRIBUTE TO MICHAEL S. WIENS  
ST. JOHN

HON. LYNN C. WOOLSEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, January 25, 1996*

Ms. WOOLSEY. Mr. Speaker, I rise today to honor one of my district's more dedicated and caring individuals, Michael S. Wiens St. John. I wish that I could be with his colleagues, friends, and family tonight as we celebrate his remarkable accomplishments.

Michael is particularly recognized for serving the people of Marin County in his capacity as search and rescue operations coordinator and he has earned the reputation for saving lives. He has been working for many years to improve and coordinate our emergency response system in Marin County. I wish to recognize Michael for his commitment to the people of Marin County, and to thank him for his long record of public service.

He has been a role model for young men and women and he has devoted the better part of his life to helping others. Michael

Wiens St. John has been instrumental in planning and implementing changes that improve the quality of Marin County emergency response, and, for developing interagency collaboration. He is largely responsible for taking what was a search and rescue program with less than a dozen members and making it into what it is today—a very well organized and recognized unit of 60 trained individuals. I continue to be impressed by his dedication and vision.

Mr. Speaker, it is my great pleasure to pay tribute to Michael S. Wiens St. John during this special evening at the Alta Mira. Marin County owes a great deal of gratitude for the tireless efforts of Michael Wiens St. John over the years. Time and time again he has extended himself on behalf of many people and for many causes. I extend my hearty congratulations and best wishes to Michael and to his wife Nancy for continued success in the years to come.

## PERSONAL EXPLANATION

HON. MAXINE WATERS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, January 25, 1996*

Ms. WATERS. Mr. Speaker, I was unavoidably detained, due to pressing personal business during both votes on Thursday, January 25, 1996.

Had I been present, I would have voted "no" on House Resolution 342, "yes" on the motion to recommit on H.R. 2880, the short-term continuing resolution, and "yes" on final passage of H.R. 2880.

ROMANIA IS HELPING PEACE  
EFFORTS IN ANGOLA

HON. JOHN LEWIS

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, January 25, 1996*

Mr. LEWIS of Georgia. Mr. Speaker, I rise today to commend the Government of Romania for its contribution to the U.N. peacekeeping force in Angola. It is heartening to see that Romania is willing to spend its own limited resources to help maintain peace and stability in an African country that has witnessed so much tragedy and fighting.

Romania currently has nearly 1,000 peacekeepers in Angola, which is the second largest national contingent in the U.N. force. Romania has also established a program to help train and educate Angolans so that they can better rebuild their country and has contributed 54 medical personnel to run a 40-bed hospital. Romania is involved in these efforts even though they have no economic or geopolitical interests in the region. As far as I can tell, Romania is participating in this humanitarian venture because of a commitment to the United Nations and a sense of responsibility to fellow human beings.

Democracy in Angola is important to the stability and the vitality of the region. In the post-Cold War era, we as a nation must work with other countries to help promote democracy and freedom throughout the world. I am pleased that Romania, despite facing its own

challenges as it moves toward a market economy, understands the importance of supporting democracy elsewhere in the world. Romania's participation in the peacekeeping force in Angola is an important reminder that we are all part of the international community and have a responsibility to help each other.

## THE PRESIDENT SPEAKS

HON. JACK KINGSTON

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, January 25, 1996*

Mr. KINGSTON. Mr. Speaker, I enter the following story into the CONGRESSIONAL RECORD. This story was written by Nancy Welch. It was printed in the Statesboro Herald on December 10, 1995:

## THE PRESIDENT SPEAKS

(By Nancy Welch)

President Clinton stood on a podium draped with army camouflage. Soldiers stood in formation on the parade field in front of him. Their families dotted the surrounding hills. It was gray and foggy. He tried to cheer them. He told the soldiers they would soon be leaving for Bosnia, not to worry, they would be back in a year or so.

I shivered, aware of that damp cold that so often enshrouds the small village of Baumholder, Germany. I could almost feel the snow stinging my face and my feet turning icy cold.

But the real chill hit my heart.

I remember too well the time I spent in Baumholder. On top of a mountain. Caring for babies. Doing laundry. Washing dishes. Being frightened.

The cold war still raged. The enemy sat just across the East German border. And our husbands were constantly put on alert.

The days of fear would begin before dawn. An MP car with a loudspeaker would cruise the streets of the military housing areas.

"This is an alert. Report to your units," would be the deafening words from the speaker. We would be jolted awake. All over the area men would rise from their beds, jump into their uniforms, grab their gear, kiss the wife and kids and leave.

We never knew at that early hour whether they would be gone an hour, a day, a month or a year. We wouldn't find out until later in the day whether the early morning call to arms was a practice or for real.

As the snow fell on the foggy mountain, we wives turned to each other for any news a husband might smuggle through. We drank hot tea and offered moral support. We continued to take care of the children, do laundry, cook, wash dishes and fight the cold fear that nagged at the pits of our stomachs.

Sometimes there was good news. Just as the early dark of winter fell, the call would come. He would be home for dinner.

But other times it would be weeks before the men would come home. It was awful.

But the wives of the soldiers in Bosnia today are faced with a greater challenge. They face at least a year, without their husbands, on the cold, snowy, foggy mountain in a country far away.

And they face the long separation just before Christmas.

My heart goes out to them. They will deal with so much. They will have to tangle with the Santa Claus wishes, do the tree, go to the school programs and church programs. They will have to put on a happy, hopeful face for the children.

They will have a strong support system. Military families do take care of their own.