to the whole tired American agricultural regime. Our current policy works to the detriment of most American farmers and the taxpayers and undercuts our ability at the bargaining table to open up foreign markets to American agriculture.

It is not too late for the President to restore integrity to our trade negotiations by abandoning these narrow, ideological partisan approaches. The Senate can easily make this a better bill by jettisoning the trade-corrupting provisions, letting the legislative process work, and listening to the critics who have legitimate concerns.

We are not going to end the debates on the role of globalization and trade policy; but by addressing these legitimate concerns, we can narrow the debate and enable the administration to pursue the policies that United States Trade Representative Zoellick sincerely wants to achieve, I believe.

Given the right bill, we will not be held hostage to narrow special interests at home while we make the poorest of countries pay the price for our lack of political leadership and policy clarity.

SOCIAL SECURITY SOLVENCY

The SPEAKER pro tempore (Mr. OTTER). Under the Speaker's announced policy of January 3, 2001, the gentleman from Michigan (Mr. SMITH) is recognized during morning hour debates for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, I just returned from the Presidential Commission on Social Security meeting. This morning they released their plan that they will be reviewing and presenting to the President on the 21st of this month.

They presented three proposals. Earlier this year, I encouraged the commission to come to agreement on one proposal. I am somewhat concerned, with three proposals, that we end up bickering in this Chamber about the advantages and disadvantages of each proposal and use it as an excuse to do nothing. It would have been much better if the commission had developed one proposal.

Briefly, the three proposals allow optional, worker owned investments.

The first proposal allows an investment of 2 percent of our taxable income and then offsets future Social Security benefits to the extent and with the assumption that that investment in private accounts will accumulate 3.5 percent return on investment. So they assume that that is 3.5 percent, and deduct that compounded earnings value from future benefits.

The second proposal allows 4 percent of taxable income, not to exceed $1,000 a year, but provides that they are only assuming 2 percent return on that proposal to determine reductions in future benefits. Investments would be limited to safe investments, and all plans are optional. Everything that our personal account would accrue above the 2 percent would be an increase in ultimate retirement benefits.

These plans are especially beneficial for those individuals under 40 years of age that have a period of time for the magic of compound interest to work.

The third proposal is based on the premise that it is important to resolve Social Security, but it is more important to keep promised benefits. So it appears that it would take a tremendous amount of financing from other sources other than the payroll tax to accommodate that particular proposal.

Mr. Speaker, earlier this year I told the commission that I was concerned that they must do a better job communicating to the American people the predicament that Social Security now finds itself in. Social Security is insolvent.

We know how many people there are and 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. We also know that payroll taxes will not cover benefits, starting in 2015, and that the shortfalls will add up to $120 trillion in the 75 years following 2015.

Today's value of that shortfall is a little over $9 trillion. This graph simply represents our short-term benefit, because we have been increasing taxes, payroll taxes. Every time Social Security was in trouble, we would increase the taxes. So in the short run, until 2015, 2016, 2017, someplace in those years, there is more money coming in than we need. But after that, the red portion of this graph represents the $120 trillion that will be needed in addition to Social Security taxes. Something needs to be done if we are going to keep this most important program secure and solvent.

A lot of people have said that the economic growth will fix Social Security. That is not true, because as wages increase, so do the benefits. So increasing the economy of this country with more jobs and more benefits in the long run simply results in a greater requirement for payouts. When the economy grows, workers pay more in taxes, but they are going to get it out. Growth makes the number look better now, but leaves a larger hole later.

I think this Social Security Commission has done a service by at least laying out three proposals, all of which eventually will add to the solvency of Social Security. The question is, do we want to allow some privately owned account for private investments?

This is a graph that I made up just to show what has happened in the last 100 years in terms of the returns of stock investments. We see the ups and downs, but the average over the last 100 years is 6.7 percent. That compares to about 1.7 percent that the average retiree is going to receive as a return on the money they and their employer put into Social Security for them.

So, that is the problem: there is not a very good return on your Social Security taxes. It is not a good investment. Everybody, on average, that is working now and paying in can expect at retirement time the equivalent of a 1.7 percent return.

I would like to conclude by congratulating the commission for their work. I will help increase a understanding by the American people that there is a huge problem. We have come a long way since my first Social Security bill in 1994. I hope this report is the kind of stimulus and catalyst that will allow this Chamber to move forward to assure that we save Social Security.

AN ALTERNATIVE PLAN TO PRIVATIZATION TO SECURE SOCIAL SECURITY FOR THE FUTURE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Oregon (Mr. DEFAZIO) is recognized during morning hour debates for 5 minutes.

Mr. DEFAZIO. Mr. Speaker, responding to the gentleman that preceded me, I agree that there is a problem with Social Security, and it is something that this House and this administration should deal with. We do agree there.

However, the problem is a little different than described. In the year 2016, Social Security will get to the point where the income, it is true, will not equal benefits; but it will begin only to draw on the interest on its accumulated trust funds.

Now, we either have assets in Social Security, because we are paying much more in taxes today and accumulating trust funds, or we do not. There is some disagreement over whether Federal Treasury notes deposited for Social Security constitute real assets. In fact, the Secretary of the Treasury went so far as to say that there are no real economic assets in the trust fund, only obligations, the full faith and credit of the Federal Government of the United States of America, which the last time I checked was the safest investment in the world.

So from 2016 to 2025, we will only spend down interest. In 2025, just like someone in retirement, then the government would begin to redeem the bonds, the investments, the principle. And yes, in 2038, there will be a real problem. In 2038, Social Security will only have income sufficient to pay 70 percent of promised benefits. So starting in 37 years, we have a 30 percent problem.

Now, the question becomes, do we destroy the entire existing system, which benefits more than 40 million Americans today and many more millions in the future, or do we adjust it a little bit, especially with 37 years lead time?

There are three ways to do it:

First, we can increase the income, which either means some different kind of investments other than Federal debt; or we can increase taxes, which has been ruled out by this administration.

Next, we can decrease expenditures, that is, lower benefits; or we can have deficits, as the gentleman alluded to under option three of this commission; or we can have a combination of those three things.

Now, the President appointed a commission that was supposed to deal with this. Unfortunately, the commission's charge was not to stabilize the financing of the most successful social program in the history of the United States. The charge of this group, and every single member was hand-picked because of this, was to privatize the system, to begin to undermine that system for the future. That was their charge. And even there, they really kind of failed.

Now, they are led by the CEO of Time Warner, of course, who has a vital interest in the future of Social Security. He had to divert part, part of his bonus last year to buy a winery in Tuscany. Imagine that, he had to spend part of last year's bonus for that, so he is vitally concerned. He knows some day he will need that Social Security, like tens of millions of working Americans.

Then we have a former Democratic Senator who used to say that raising taxes was the answer, but late in his career he changed his mind and said privatization was the answer. So their pronouncements are sort of a mix here. Actually, all three of their solutions worsen the financial situation of Social Security. Is that not interesting, a commission to solve the problems of Social Security, but since they were charged only to privatize it, they did not even deal with the financing problems?

In their first solution, they would bring us insolvency 5 years sooner than the current system. They would reduce benefits under the premise that people's benefits are being reduced but they will gain more with their diverted investments. But if the investments do not pan out, well, hey, that is the way it goes. Mr. Parsons will be living on his vineyard in Tuscany, and they will be down at the local Dumpster trying to find food.

Now, we could go with the second option: a 4 percent diversion of trust funds. Then they would change the way they index future benefits, reducing the benefits for everybody in the program, even those who do not choose the option of the 4 percent diversion; and they would have to inject general funds, that is, subsidize Social Security, beginning in 2025. That means insolvency comes 30 years sooner than under the current system.

Finally, in their last option, which no one can describe, the Wall Street Journal said, for option three, ''Suffice it to say, it is so complicated we are not even sure we understand it,'' but it does have a combination of a benefit reduction, of benefit reductions, increase in age of retirement, and huge trust fund transfers from the general fund.

There is a much simpler solution; but this commission, this President, will never touch it, because it revolves around tax fairness.

Americans only pay the regressive Social Security tax on the first $850,400 of income. So that means someone who earns $160,000 pays Social Security taxes at half the rate of someone who earns $80,000 or half the rate of someone who earns $10,000 a year on every dollar they earn. If they earn twice that, it goes down to a quarter.

Now, one simple solution would solve the problem of Social Security forever: have every working American pay the same tax on every penny they earn; that is, Mr. Parsons, the CEO of Time Warner, would contribute the same percentage of his income in taxes as would the minimum wage worker.

It is fair, and the Social Security trustees tell us that in fact that is more money than we need to assure the future of Social Security forever. Unfortunately, this commission and this President will never go there.

REPUBLICAN GIVEAWAYS TO INSURANCE COMPANIES AND LARGE CORPORATIONS DO NOT SOLVE AMERICA'S ECONOMIC CRISIS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Ohio (Mr. BROWN) is recognized during morning hour debates for 5 minutes.

Mr. BROWN of Ohio. Mr. Speaker, 3 months ago today, as we all know, was September 11. That afternoon, gas stations, some number of gas stations all over the country raised their prices to $4 and $5 and $6 a gallon. We all remember that. Most of us would call that war profiteering.

However, others around the country, the great, great majority of people in this country, came together. They put out their flags, they gave blood, they volunteered, some went to New York to volunteer, went to the Pentagon to volunteer, and schoolchildren all over the country collected pennies, nickels, and dimes to send to the victims and their families.

But something else emerged in Washington, not war profiteering in the simple sense of raising gas prices, but a more sophisticated kind of political profiteering: this Congress, pushed by the President and the Republican leadership in this Congress, first of all gave a huge multi-billion dollar bailout to the airlines, requiring nothing from the airline executives, requiring nothing for airport security, requiring nothing of airline safety.

Then this Congress turned around and gave tax cuts for the largest corporations in the country: a check, a tax refund to IBM, a check from the Federal Government for $1.4 billion; $1 billion to Ford; $900 million to GM, and the list went on and on and on.

Then, this Congress gave a huge bailout to insurance companies, insurance executives who usually preach ''We want government off our backs, we believe in free enterprise, except when we have our hand out and want money from the Federal Government.''

Then last week this Congress, with unemployment creeping upward to the highest 2-month increase we have seen in 21 years, with the anxiety that people have about their jobs, with LTV workers and other steel industry workers losing their jobs around the country, this Congress passed, at the behest of the Republican leadership and the largest corporations in the country, Trade Promotion Authority, which will send more of our jobs ultimately to Latin America and around the world.

My dad used to talk about World War II and shared sacrifice, about war bonds and WAVES and WACs and victory gardens and scrap metal drives. But instead, this Republican Congress and this President demand tax cuts for IBM while ignoring 100,000 airline workers, doing zero for them. This President and this Congress demand a bailout for the insurance companies while ignoring workers who have lost their jobs and not trying to help them with any health insurance and any health care costs.

Instead, instead of shared sacrifice, this Republican Congress and this President demand of Congress that we pass Trade Promotion Authority, instead of providing public investments for our broken-down schools and broken-down infrastructure and broken-down highway and rail system.

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Imagine though, Mr. Speaker, if the President and the Republican Congress called on us like in World War II for shared sacrifice. Imagine if the President called on young patriotic Americans to enlist in the Army or the Peace Corps, to enlist in the Navy or Americorp, to enlist in the Air Force or Teach for America. That is what waving the American flag is all about.

Imagine if the President said to his friends, and the Republican leadership said to their friends in the drug industry, no more special favors; we are not going to allow them to charge American consumers and America's elderly more for prescription drugs than anywhere else in the world; we are not going to allow that anymore in this Congress. That is what waving the American flag is all about.

Imagine if the President called on Americans to volunteer for Meals on Wheels or cleaning up the neighborhood or tutoring children that are having difficulty keeping up. That is what waving the American flag is all about.

Imagine if the President would say to his friends in the oil business, imagine if he would say we are going to wean ourselves off Middle Eastern oil, we are going to find a way to help Americans conserve and get better gas mileage and turn their thermostats down and all the things the President could do to appeal to Americans, to appeal to his friends in the corporate boardrooms and the oil companies, to wean ourselves off that Middle Eastern oil. That