Third, modify Social Security and health-care entitlements to reduce their explosive future growth. Social Security now promises much higher benefits to future retirees than to today's retirees. The typical 30-year-old today is scheduled to get an inflation-adjusted retirement benefit that is 50% higher than the benefit for a typical current retiree.

Benefits paid to future retirees should remain at the same level, in terms of purchasing power, that today's retirees receive. A combination of indexing initial benefits to prices rather than to wages and increasing the program's retirement age would achieve this goal. They should be phased-in gradually so that current retirees and those nearing retirement are not affected.

Health care is far too important to the American economy to be left in its current state. In markets other than health care, the legendary American shopper, armed with money and information, has kept quality high and costs low. In health care, service providers, unaided by consumers with sufficient skin in the game, make the purchasing decisions. Third-party payers—employers, governments and insurance companies—have resorted to regulatory schemes and price controls to stem the resulting cost growth.

The key to making Medicare affordable while maintaining the quality of health care is more patient involvement, more choices among Medicare health plans, and more competition. Co-payments should be raised to make patients and their physicians more cost-conscious. Monthly premiums should be lowered to provide seniors with more disposable income to make these choices. A menu of additional Medicare plans, some with lower premiums, higher co-payments and improved catastrophic coverage, should be added to the current one-size-fits-all program to encourage competition.

Similarly for Medicaid, modest co-payments should be introduced except for preventive services. The program should be turned over entirely to the states with federal financing supplied by a ''no strings attached'' block grant. States should then allow Medicaid recipients to purchase a health plan of their choosing with a risk-adjusted Medicaid grant that phases out as income rises.

The 2010 health-care law undermined positive reforms underway since the late 1990s, including higher co-payments and health savings accounts. The law should be repealed before its regulations and price controls further damage availability and quality of care. It should be replaced with policies that target specific health market concerns: quality, affordability and access. Making out-of-pocket expenditures and individual purchases of health insurance tax deductible, enhancing health savings accounts, and improving access to medical information are keys to more consumer involvement. Allowing consumers to buy insurance across state lines will lower the cost of insurance.

Fourth, enact a moratorium on all new regulations for the next three years, with an exception for national security and public safety. Going forward, regulations should be transparent and simple, pass rigorous cost-benefit tests, and rely to a maximum extent on market-based incentives instead of command and control. Direct and indirect cost estimates of regulations and subsidies should be published before new regulations are put into law.

Off-budget financing should end by closing Fannie Mae and Freddie Mac. The Bureau of Consumer Finance Protection and all other government agencies should be on the budget that Congress annually approves. An enhanced bankruptcy process for failing financial firms should be enacted in order to end the need for bailouts. Higher bank capital requirements that rise with the size of the bank should be phased in.

Fifth, monetary policy should be less discretionary and more rule-like. The Federal Reserve should announce and follow a monetary policy rule, such as the Taylor rule, in which the short-term interest rate is determined by the supply and demand for money and is adjusted through changes in the money supply when inflation rises above or falls below the target, or when the economy goes into a recession. When monetary policy decisions follow such a rule, economic stability and growth increase.

In order to reduce the size of the Fed's bloated balance sheet without causing more market disruption, the Fed should announce and follow a clear and predictable exit rule, which describes a contingency path for bringing bank reserves back to normal levels. It should also announce and follow a lender-of-last-resort rule designed to protect the payment system and the economy—not failing banks. Such a rule would end the erratic bailout policy that leads to crises.

The United States should, along with other countries, agree to a target for inflation in order to increase expected price stability and exchange rate stability. A new accord between the Federal Reserve and Treasury should reestablish the Fed's independence and accountability so that it is not called on to monetize the debt or engage in credit allocation. A monetary rule is a requisite for restoring the Fed's independence.

These pro-growth policies provide the surest path back to prosperity.

Mr. KYL. I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KYL. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. There will be a period for the transaction of morning business until 3 p.m., with Senators permitted to speak therein for up to 10 minutes each.

Mr. KYL. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. JOHANNS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

SOUTH KOREAN FREE TRADE AGREEMENT

Mr. JOHANNS. Mr. President, I rise today to ask a pretty straightforward question: Why on Earth is this administration standing by and watching our global competitors gain the upper hand over U.S. businesses?

Last week, the European Union announced that it is taking steps to approve an agreement with South Korea. I have to tip my hat to the Europeans. South Korea represents the 12th largest economy, and Europe's businesses are now one step closer to much greater access to the 12th largest economy in the world. Meanwhile, the United States fails to act on a trade agreement negotiated with South Korea more than 3 years ago, ready for action, actually. Zero action, though, has been taken since this agreement has been finalized by this administration. We all know it is up to the President to send the agreement to Congress for approval before it can go into effect. But that has not happened. On the other hand, other nations are taking advantage of opportunities to save their businesses billions of dollars, while the United States is simply stuck in neutral.

Under our agreement with Korea, most fees our exporters pay—tariffs—to Korea would be completely eliminated, saving U.S. businesses literally billions of dollars. In fact, nearly 95 percent of our exports of consumer and industrial products would become duty free within 3 years and the rest would be eliminated over time. Nearly two-thirds of our agricultural exports would also become duty free under this agreement, and perhaps most significant is the estimate by the U.S. International Trade Commission itself that our agreement with South Korea would add $10 to $12 billion to our economy.

So what does this mean in real dollars for real businesses? Well, the agreement would increase U.S. exports by about $10 billion annually. The way I look at it, our economy could use a $10 billion boost. Instead, our agreement with South Korea languishes, and we sit on the sidelines while other countries clearly are gaining the upper hand and we are losing this marketplace.

If we could ever enact this agreement, American job creators could fairly compete in the South Korean market. Instead, they are at a distinct disadvantage, and the key to a level playing field—this trade agreement—is collecting dust on a shelf at the White House.

The time for the United States to act on our agreement with Korea is not only now, it should have been months ago. Our failure to act is inhibiting job creation, inspiring our competitors, who are winning, and frustrating our trading partners. Last week was just the latest evidence that our trading partners have lost patience with us and decided to find new dance partners. You see, our trading partners look at this and say: There is no leadership.

In June, I came to the Senate floor to express my concern over reports that an official from the South Korean Embassy said the following: