beneficiaries one bit of good. If we decree that it is a $1 trillion or a $10 trillion or even a nothing number in the trust fund, it has exactly the same financial impact. It has no impact on the outyear benefit structure. So the President's proposal to credit the trust fund with the interest savings will have no impact at all on the structure of the system and the liability which the American taxpayer will have to pay to support the system in the outyears.

What it would do, however, is give a false impression that we have taken some substantive action. And that, of course, is the goal of this President—politics over substance. We already have a problem of understanding. Already the Social Security system's problems are papered over by the declaration of actuarial solvency through the year 2034. This disguises the fact that the real problem for us and for the next generation begins in the year 2014. What the President is effectively saying is that we should now paper over the problem even further, that we should wait until the year 2050.

Earlier this year, the Comptroller of the United States, David Walker, testified before the Senate Finance Committee. He was speaking about the President's proposal of earlier this year, but his comments are equally valid regarding the most recent proposal he has put forward. He said:

> . . . it is important to note that the President's proposal does not alter the projected cash-flow imbalances in the Social Security program. Benefit costs and revenues currently associated with the program will not be affected by even one cent.

In other words, the proposal the President is putting forward has absolutely no impact on the ability to pay the benefits that are going to be required to be paid to maintain the Social Security system in the outyears.

Moreover, he went on to say: One of the risks of the proposal is that the additional years of financing may very well diminish the urgency to achieve meaningful changes in the program. That would not be in the overall best interest of the Nation. It would be tragic, indeed, if this proposal masked the urgency of the Social Security solvency problem and served to delay the much-needed action.

In other words, even though this proposal would not do anything for Social Security, it would make the representation to the public that we had. This would become a license for irresponsibility. It would break the faith of the Social Security beneficiaries by representing that the problem had been solved for another 50 years, even though we have taken absolutely no real action.

Here is a chart that shows the workings of the Social Security system in a simplified form and represents the problems we confront. On the left of the chart, we can see the projections under the current law. On the right-hand side of the chart, we can see projections under the President's proposal. There is absolutely no difference. The President's proposal has no effect on the problems of the system. Current law problems which caused the system to go into insolvency are going to exist in the same form if we follow the President's proposal.

The numbers are startling. We term it insolvent in the year 2040 because the cost is so high. Under the President's proposal, it is a $1.1 trillion increase in the year 2040 on the taxpayers of America, which, in my opinion, represents an insolvency event, if we follow the President's proposal.

What is the President's argument? He is arguing that his program provides for additional reduction in public debt and that we can justify these additional income tax liabilities by the fact that the public debt has been reduced and debt service has also been reduced. But, once again, the reality is different from the claim. If you study the Social Security actuary's memo in the President's plan written last Saturday, October 23, you would find the following information. I hope the press will pick up on this. Transfers are not contingent on actual amounts of reductions of debt held by the public. Transfers are assumed to be as indicated, regardless of the effect on the budget balances.

Now, it may well be the President will yet propose a way to require that only a reduction in public debt will trigger the transfers he has suggested, but that is not what his current proposal says. His current proposal only issues this new debt and these new liabilities and does not make them in any way contingent upon public debt being reduced. This is not a plan to reduce public debt. It is a plan to issue new debt. It creates new income tax obligations, regardless of what happens with the overall budget balance. It has nothing to do with straightening out the Social Security system by reducing public debt. It is simply an increase in income tax obligations as a result of an increase in debt obligations of the Federal Government.

One other point: The President believes it is appropriate to reward Social Security by giving it the interest savings from the reduced public debt. Current law already credits Social Security with interest, as if we had saved the surplus, whether we do or do not. This is current law. What the President is proposing is that we give a second round of transfers to the Social Security system. We are already crediting Social Security with interest saved. That is what produced the finding that the system is sound until the year 2034.

The President is simply proposing that we arbitrarily issue a second round of credit, not justified or contingent upon anything happening in public debt reduction, and increase the income tax obligations to the program. Remember, again, all the taxes the President is talking about pouring into this program as a result of this accounting process gimmickry are income taxes; they are not payroll taxes.

So we are shifting the burden, under the President's proposal, of the Social Security system from being a payroll tax system to being an income tax system, from going to a system where the people who receive the benefit under the retirement process and pay for it during their working lives are now receiving a benefit from the general revenue fund and the income tax fund versus the payroll tax fund. That is a huge change in the basic philosophy of the way we have supported the Social Security system. The President does this with his proposal, which is to create a new accounting mechanism.

So the practical effect of the President's proposal is to do absolutely nothing in the way of resolving the fundamental problems that confront Social Security. The practical effect of the President's proposal is to create an accounting gimmick that makes you feel as if you have done something. The practical effect of the President's proposal is to undermine the momentum for fundamental, fair, effective Social Security reform in exchange for a political statement that may get you through the next election but which is going to create major crises for the system in the outyears.

The President's proposal fails any form of accounting test. The President's proposal fails any form of a reasonable review. The President's proposal, most importantly, fails the next generation and the generation behind it because what it does is transfer onto their backs, for the sake of a political statement today, a tax burden that will amount to trillions of dollars. It is an action that is absolutely inappropriate and which I hope this Congress and the American people will reject.

I yield the floor.

PRIVILEGE OF THE FLOOR

Mr. BAUCUS. Mr. President, I ask unanimous consent that Peter Washburn, a fellow with the Environment and Public Works Committee, be allowed floor privileges during the introduction of the Good Samaritan legislation.

The PRESIDING OFFICER. Without objection it is so ordered.

Under the previous order, the Senator from Montana is recognized.

(The remarks of Mr. BAUCUS pertaining to the introduction of S. 1787 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. THOMPSON. Mr. President, I ask unanimous consent to be recognized to