THE PENSION RIGHT TO KNOW ACT

HON. JERRY WELLER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 18, 1999

Mr. WELLER. Mr. Speaker, do we not have a responsibility to help our constituents understand their benefits? As a large portion of today's population is nearing retirement, employer-sponsored retirement plans have increased in importance. And many people do not understand their benefits. It is an even greater problem when an employer unilaterally changes that plan, and minimal explanation is given.

I have some real concerns in these situations, and I believe we need to help our constituents understand their benefits when they are changed. The Wall Street Journal recently highlighted some of the information disclosure problems when companies change from a traditional pension plan to a cash-balance plan.

One particular situation involved a company who changed their plan and merely informed the employees that a change had occurred. One 49-year-old employee decided to look into this further, because he was thinking about his retirement. He discovered that while he was not going to lose any benefits, he was also not going to accrue any benefits for several years under this new plan. It was only through his efforts to learn more about it that he discovered this.

Now, let me point out that it is not the employer's fault, but the law's. That is why I have joined with Senator MOYNIHAN in introducing companion legislation to correct this problem.

The Pension Right to Know Act, H.R. 1176, will require increased disclosure of information to employees about their pension plan. It would require an explanation to the employee as to how their pension plan will be affected by any plan change. It will require an individual benefit statement for each employee showing how they, in particular, will be affected by this change. For some the change will be beneficial, but for others the change could affect how they plan for the future.

My colleagues, I believe we need to protect our constituents who may be expecting one thing, and then receive something very different. As employers make changes from various retirement plans to cash-balance plans, employees are left not understanding what changes have been made to their retirement plan.

We can help our citizens who are nearing retirement and thinking about their retirement savings program—and we can help them to understand.

Mr. Speaker, let us do what we can to help employees understand their options.

Let us work together. Let us solve this problem, and let us solve it together.

APPRECIATION OF THE HONORABLE IMATA KABUA, PRESIDENT OF THE REPUBLIC OF THE MARSHALL ISLANDS

HON. ROBERT A. UNDERWOOD

OF GUAM

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 18, 1999

Mr. UNDERWOOD. Mr. Speaker, last month I was privileged to travel with the House Resources Congressional Delegation to the Pacific Insular areas. Chairman DON YOUNG should be commended for providing this opportunity to Resource Committee members to educate themselves on the issues that confront the people of Guam, American Samoa, the Commonwealth of the Northern Mariana Islands and the Republic of the Marshall Islands. In this regard our trip was a success and I hope that my colleagues who were fortunate to join the Young CODEL—Rep. DANA ROHRABACHER, Rep. JOHN DOOLITTLE, Rep. COLLIN PETERSON, Rep. KEN CALVERT, Rep. ENI FALEOMAVAEGA and Rep. DONNA CHRISTIAN-CHRISTENSEN—have gained a better understanding of Pacific Insular issues.

I would like to extend my appreciation to the people and leaders of each destination that the Young CODEL visited for their warm welcome and island hospitality. In my remarks today I would like to submit, for the record, the statement of the President Imata Kabua of the Republic of the Marshall Islands. I want to express my gratitude for his collaborative efforts on behalf of his country to advance the economic, educational, social and political needs of his people.

I also want to take this opportunity to state that I share President Kabua's desire for the House Resources Committee and the Congress to work closely in the renegotiations of the Compacts of Free Association with the United States which will commence later this year. I am hopeful that all issues can be addressed in the renegotiations and that concerns of all affected parties will be taken into consideration.

STATEMENT OF PRESIDENT IMATA KABUA

U.S. CODEL MEETING WITH PRESIDENT KABUA AND HIS CABINET, FEBRUARY 20, 1999

Chairman Young, Members of the CODEL, staff, friends: It is indeed an honor and a pleasure for me to welcome you to the Republic of the Marshall Islands. After your long flight, I trust that you now have a better understanding of the vast distance of ocean and land that we cover every time we visit you in Washington, DC.

The people and government of the Marshall Islands have long considered the United States our close friend and ally. Our nations share commitments to freedom, democracy, world peace and well-being for all peoples. These shared commitments are enshrined in the Compact of Free Association, the U.S. Public Law that joined our nations in the strategic alliance.

As the President of the Marshall Islands, I can assure you that our nation is seriously committed to strengthening our mutually beneficial partnership.

Critical to our strategic partnership is our continued hosting of the already expanded military testing facilities on Kwajalein Atoll. I would be remiss if I failed to communicate to you that our relationship with the U.S. military is the strongest it has ever been. We continue to work closely with the Department of Defense to enhance the military's important efforts on the atoll and in the region.

Chairman Young, I want to personally thank you and the members of your Committee for your efforts at extending to the Marshall Islands the assistance that honors the objectives of the Compact.

Specifically, I want to thank you for extending the Pell Grant to our students, providing FEMA support to help us cope with natural disasters and for continuing to recognize the agricultural and resettlement needs of the communities harmed the most by the U.S. Nuclear Weapons Testing Program. These actions signal to the Marshall Islands that the United States values our bilateral relationship.

Education remains our top priority along with health services for our people. We value the Federal programs and assistance in these areas and assure you that accountability and proper administration will always be our main focus.

I also want to thank you for the resolution that Chairman Ben Gilman, Delegate Eni Faleomavaega and you introduced last Congress. House Concurrent Resolution 92 stands as a testimony to the success of the bilateral relationship.

In a few moments, you will be hearing more about the Nitijela's corresponding resolutions, and this parliamentary body's shared appreciation of the points so eloquently stated in H. Con. Res. 92.

The RMI Government looks forward to engaging the U.S. Government in productive discussions to address certain provisions of the Compact of Free Association. Our designated negotiator is ready to meet with your designee to begin our discussions as soon as possible. It is our hope that you can encourage the Administration to expedite the appointment of the U.S. chief negotiator so we can begin this dialogue.

In advance of the upcoming Compact negotiations, our government would like to work closely with your Committee, the Members of the U.S. Congress and the U.S. government to address some outstanding issues that need to be resolved, specifically the ''changed circumstances'' issue provided for in Section 177, Article IX of the Compact and concerns we have surrounding Section 111(d).

The first Compact has taught us that the relationship works and that its continuation is important to both nations. The second Compact challenges us to think about the most appropriate and effective means to build on our mutual security and economic and social needs.

I would also like to make the CODEL aware of some of the positive actions the RMI government has undertaken. We have initiated major reforms and taken concrete steps to ensure progress in our nation-building efforts.

Over the past five years, we have successfully streamlined government, created an environment conducive for private sector and foreign investment and have taken important steps in building our nation's infrastructure to sustain economic growth and prosperity.

These efforts are empowering our people to participate in the world economy. We strongly believe that our continued partnership will assist us in meeting the challenges of the next century.

The RMI has also been aggressively working with other mutual allies in the Pacific region. We have established strong diplomatic ties with many of our neighbors and mutual friends. These efforts are beginning to pay tremendous benefits in the form of economic assistance and private sector investment.

At this time, I want to welcome you and to extend my deep appreciation for this visit. I hope you return to Washington knowing that the Marshallese people are your friends and allies. We want you to enjoy yourselves while you are here and to take in our island hospitality and beauty.

THE ROAD TO DOW 10,000

HON. MICHAEL G. OXLEY

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 18, 1999

Mr. OXLEY. Mr. Speaker, I would like to bring a Wall Street Journal column by Lawrence Kudlow to the attention of my colleagues. The subject is the strength of the stock market and the ongoing economic expansion.

The point of the piece is that sound economic policy making begets solid economic growth. Put more precisely, the absence of anti-growth policies allows free markets to flourish. Economic freedom in the form of low tax rates, deregulation, free trade, and restrained government spending leads to increased private investment, low inflation and a booming national economy.

Again Mr. Speaker, I commend the following column to the attention of all interested parties.

[From the Wall Street Journal, Mar. 16, 1999]

THE ROAD TO DOW 10,000

(By Lawrence Kudlow)

The Dow Jones Industrial Average stands at the threshold of yet another milestone, this time 10,000. Meanwhile the longest continuous prosperity in the 20th century, begun in late 1982 and, interrupted only by a short and shallow recession in 1990–91, continues apace. These facts are worth pondering, for a proper understanding of them can instruct us toward the best future economic policy.

The current stock market boom began in mid-1982 and is now the second longest in the century, exceeded only by the post-war 1949–68 cycle. Since August 1982 the Dow Jones average has appreciated 1,095%, or 615% in inflation-adjusted terms. The economy has posted a 3.2% yearly real rate of increase, while real corporate profits have expanded by 6% annually. Thirty-nine million net new jobs have been created, largely from nearly 11 million new business start-ups.

Roughly $25.7 trillion of new household wealth has been created, according to the Federal Reserve. Long-term Treasury bond yields, they key discount rate used to calculate the net present value of future corporate earnings, have dropped to 5.5% from roughly 15%. Inflation has fallen to almost zero from nearly 11%, even while the unemployment rate has dropped to 4.4% from 11%.

PESSIMISTIC GURUS

Yet since 1982 most economic and investment gurus have preached pessimism. For 17 years they have told the public that neither the bull market nor the prosperity can last, because of budget deficits, trade deficits, savings shortfalls, high real interest rate, capacity constraints, inadequate productivity, subpart real wages, inflation threats, Philips curves, market bubbles, income inequity, Asia, Russia and a variety of other reasons.

Yet the experts have been proved wrong; optimism has prevailed. Actually, the stock market itself is a much better measure of economic progress than a barrelful of government statistics. Market prices reflect the collective judgment of millions of profit-seeking individuals who buy and sell each day based on their expectations of future wealth creation.

Why has the outlook for wealth improved so dramatically? In a word, freedom. Freedom creates wealth, and wealth boosts stock prices. Economic freedom was decisively restored by policies launched during the 1980s. This led to a revival of the risk-taking and entrepreneurship that is so vital to a dynamic economy.

President Reagan's policies, which are mostly still in place today, removed the barriers to growth that made in 1970s the worst stock-market economy since the '30s. Strong disinflation restored purchasing power and reduced interest rates. In other words, the ''inflation tax'' on money was repealed, Personal and corporate tax rates were slashed, providing new incentives for work and entrepreneurship. All vestiges of wage, price and energy controls were eliminated, freeing up markets to allocate resources efficiently.

Industry deregulation begun by President Carter was services, airlines and later telecommunications. Organized labor excesses were curbed. Antitrust activism was shelved. Free trade was expanded between the U.S. and Canada.

The two biggest periods of the stock market's current prosperity have been 1982–87, when the industrial average moved up by roughly 219%, or 26.1% per year, and 1994 to the present, as the average has gained another 172%, or 22.5% a year. In between the market meandered, as Presidents Bush and Clinton raised taxes and imposed regulations.

But a steadfast Alan Greenspan brought the inflation rate down to virtually zero today from roughly 5% at the beginning of the 1990s. Along with bringing down interest rates, this has sharply lowered the effective tax rate on capital gains (which reflect inflation as well as real growth in the value of assets) to about 30% from 80%, providing a tremendous boost for the high-risk technology investment that has become the engine of our new information economy. In effect, Mr. Greenspan's disinflationary tax cut neutralized the Bush-Clinton tax hikes.

The Republican Congress elected in 1994 put an end to the high-tax and reregulatory policies of Mr. Clinton's first two years. Mr. Clinton himself morphed into a middle-of-the-road president who signed a capital gains tax-rate cut, welfare reform, a balanced budget plan, the Mexican free-trade agreement and other trade-expanding measures. All these actions helped the stock market to soar

Meanwhile, information technology took off. The capital gains tax cut and low interest rates intensified Schumpeterian gales of creative destruction. Low interest rates create much more patient investment money. Low discount rates also lead to high price-earnings multiples, something the stock market understands even if its critics do not.

The 1980s witnessed a technology surge, based mainly on advanced computer chips, cellular telephones and personal computers. In the 1990s all this was improved, but the big push has come from innovative and user friendly software and Internet commerce. Though the government's reports of gross domestic product take little account of these developments, the stock market knows full well how important these technologies will be to future earnings, productivity, real wages, growth and wealth creation.

In fact, a significant gap has opened between the performance of the Dow Jones Industrial Average, comprised mainly of old-economy companies, and the new-economy Nasdaq. Since 1990 the Nasdaq has outperformed the Dow by 271 percentage points. Over the past year, the Nasdaq has increased 36%, while the Dow has gained only 16%.

Amidst all the bull-market prosperity, another starting development has occurred: the emergence of a new investor class. Numerous surveys report that roughly half of all Americans own at least $5,000 worth of stocks, bonds and mutual funds. The investor class surely wishes to keep more of what it earns in order to bolster savings that can be invested in high-return stocks. This is why unlimited universal individual retirement accounts may be the sleeper tax issue of the next few years.

Roth IRAs—which currently invest after-tax deposits that will never be taxed again so long as the money is withdrawn at retirement—could be expanded to include redirected Social Security contributions and penalty-free withdrawals for health care insurance, education, home buying and employment emergencies.

This might be the single most popular tax reform among the shareholder class. By eliminating the double and triple taxation of saving and investment, this approach opens a back door to the flat tax, setting the stage for future tax cuts, individual ownership of Social Security contributions and other free-market policies.

OVERSIZED POWERS

What a difference a century makes. The 1890s saw a painful and costly depression that was principally caused by government policies such as high tariffs and an inelastic currency. Politicians reacted by discrediting free-market economics; in its place, they moved toward a regime of oversized government powers and diminished personal liberty—a movement that was interrupted only briefly in the 1920s.

From Theodore Roosevelt's trustbusting to Wilson's tax hikes, Hoover's tariffs, FDR's early entitlement programs, all the way to LBJ's Great Society and Nixon's funding of it, economic freedom suffered and prosperity was sporadic. The century was filled with Keynesian nostrums that seldom delivered the goods.

The dominant event of the late 20th century is the bull-market prosperity of the 1980s and 1990s. This was caused largely by a shift back to free-market economics, a reduction in the role of the state and an expansion of personal liberty. At the turn of a new century, taking the right road will extend the long cycle of wealth creation and technological advance for decades to come. By 2020 the Dow index will reach 50000, and the 10000 benchmark will be reduced to a small blip on a large screen.