started a monthly newspaper there. We sought donations for the start of this newspaper because we wanted to maintain its independence from the university, not in hostility to the university but wanting to have an independent voice on campus.

I sent out solicitation letters to all of my dad's friends and all of his colleagues. And he has some wonderful colleagues, the Rangels, the Grays, and the Waters, and there are so many others, the Stokes that he served with, the best friend of the gentleman from Missouri (Mr. CLAY).

I will never forget going to the mailbox and here I was 19 years old in college, Mr. Speaker, and receiving this envelope from the office of (Mr. CLAY), $500 donation, for this newspaper. The newspaper started and was run by young people at the school, and it is still in existence today in the spirit in which he provided all those scholarships for children throughout his district and throughout the State of Missouri.

I am also one youngster whose life he touched and impacted. I would not be in the Congress today but for work he did here in the United States in opening doors and creating opportunities and chronicling the history of not only African-Americans here in the Congress but great Americans here in the Congress.

On behalf of the gentleman from Illinois (Mr. JACKSON) and the gentleman from Rhode Island (Mr. KENNEDY) and all the young members of Congress, I want to say thank you for his leadership and thank you for his service. Aunt Carol has been a gem and a treasure to all of us here in the Congress, certainly those of us who have grown up around her.

I look forward to serving with Lacy and Michelle and Angela and Clay and Michael. I love your grandchildren and I love the family. I just want to say thank you for all that he has done, all that he will continue to do, and all that he has meant to this great body.

SOCIAL SECURITY SOLVENCY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from Michigan (Mr. SMITH) is recognized for 60 minutes.

Mr. SMITH of Michigan. Mr. Speaker, I yield to the gentleman from Missouri (Mr. CLAY).

Mr. CLAY. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, let me say that, for those who are watching on television and are not familiar with the rules of the House, we had 1 hour for this special order and it is now extending into the next hour that the gentleman has reserved and he has a plane to catch. So I certainly appreciate him allowing me just to say how overwhelmed I am by the expressions of support and of appreciation of kindness and the friendship that have been expressed on this House floor today.

Let me say that I come from a family of seven children. My mother and father always taught each of us that modesty should never prevail over truth. So, in that vein and with that understanding, I accept all of the accolades that have been bestowed on me this afternoon because they are true. That is part of the whit that they talk about, Mr. Speaker.

Let me seriously, though, thank the gentleman from South Carolina (Chairman CLYBURN) and the members of the Congressional Black Caucus for sponsoring this tribute in honor of my years of service in the Congress.

I also want to thank my other colleagues for their expressions of commendation for my work in this great body.

In my 32 years in Congress, I can only remember a few tributes such as this one. The last one that stands out for me was the one for my good friend, Lewis Stokes, at the end of the last Congress.

Let me also offer a special word of thanks and appreciation to my friend and our minority leader, the gentleman from Missouri (Mr. GEPHARDT), and the other members of the Missouri delegation for their support throughout the years we have served together.

I also want to thank the members on the Committee on Education and Workforce who have inserted statements into the RECORD on behalf of my contribution to this Congress.

Finally, I want to express my heartfelt appreciation to my wife and children for their patience, for their understanding, and for their acceptance and participation at every level and every phase of my journey.

Once again, I thank the gentleman for yielding to me and I thank the gentlewoman from the Virgin Islands for handling this special order.

Mr. Speaker, I am overwhelmed by the expressions of support and appreciation, kindness and friendship, so I accept accolades because they are true. I want to thank Chairman CLYBURN and the members of the Congressional Black Caucus for sponsoring this tribute in honor of my years of service in the Congress. I also want to thank all other colleagues for their expressions of praise and commendation for my work in this great body. In my 32 years in Congress, I can only remember a few tributes such as this one. the last one that stands out was the one for my good friend, Louis Stokes at the end of the last Congress.

Let me also offer a special word of thanks and appreciation to my friend and our Minority Leader DICK GEPHARDT and the other members of the Missouri delegation for their support throughout the years we have served together.

Those of us in the profession of politics know that like other careers, we cannot be successful without support from many quarters. Recognizing that, I want to express my deepest appreciation to a great staff, to the thousands of friends and constituents for their continuous support, and to the voters of the 1st Congressional District of Missouri who 16 times went to the voting booth and elected me to this great office.

Finally, I want to express my heartfelt appreciation to my wife and children for their patience, understanding—and for their acceptance and participation at every level and in every phase of my journey.

During my tenure, there have been many highlights. Some stand out brighter than others. Perhaps one of the greatest was having the privilege of being one of the founders of the Congressional Black Caucus. Thirty-two years ago, Shirley Chisholm, Lou Stokes, and I came to Washington the same day. It was historic. Three blacks elected at one time. We joined six others and became the largest number of African Americans to serve in Congress at one time. The three of us were determined to seize the moment, to fight for justice, to raise issues too long ignored and too little debated. We were described by the media as militant, aggressive new leaders determined to make changes in the way black members of Congress had been viewed in the past. And we wasted no time seeking to establish a forum for articulating our concerns. That medium was the founding of the Congressional Black Caucus. It has served its purpose well.

I am also proud of the role I have played in helping to create new programs to address the problems of millions of Americans. During my life in this institution, I have been privileged to personally participate in the drafting and passage of many landmark pieces of legislation—coal mine safety, ERISA, Black Lung Benefits Act, the first appropriations for sickle cell disease research, the direct student loan program, the civil service program, OSHA, and the Americans with Disabilities Act.

I am even more proud of legislation that bears my name as primary sponsor or that I managed successfully on the floor of this House: reduction of pension vesting from 10 years to 5 years, Hatch Act reform, 60 days plant closing notification, the minimum wage increase of 1996, COBRA legislation that will continue employee health plans after job separation, financial assistance to enhance and preserve historically black colleges, the several reauthorizations of the Higher Education Act, enhanced support for Hispanic serving institutions, IDEA, class size reduction and family and medical leave.

Thanks to many of you in this Chamber, I have been able to fashion and to pass the kind of legislation that has improved the standard of living and the quality of life for millions of our citizens.

Serving in the United States Congress is one of the greatest honors that is possible to bestow upon an American citizen. In the 224 year history of this country, less than 10,000 American have enjoyed the distinction of serving in the House of Representatives.

To those who will have the honor and privilege of being elected to serve in the next Congress for the first time, I would like to offer one small but important bit of advice—always remember the awesome consequences, nationally and internationally, of your decisions. We live in the greatest, most prosperous country in the history of the world. The 260 million people we represent enjoy collectively the highest standard of living on the face of the Earth. But, many of our citizens have not been able to enjoy the benefits of that great standard of living—many have been left out, left behind. Too many of our citizens suffer disproportionately the slings and arrows of misfortune through no fault of their own—sickness, disease, poverty—poor and inadequate education rob them of their opportunity to fully participate in the American dream. Always remember when legislating that their destiny is inextricably tied to your destiny. Your struggle and their struggle are tied irrevocably one to the other.

Once again, thanks for the opportunity to serve and to help make this the greatest nation on Earth. It has been a great challenge and a rewarding career.

Mr. SMITH of Michigan. Mr. Speaker, the full body certainly thanks the gentleman from Missouri (Mr. CLAY) for his service and wishes him good luck and Godspeed.

Mr. Speaker, I am going to give, if you will, a short lecture on what I consider one of the most important topics of the day, and that is Social Security.

I put the first poster up here, ''no new taxes.'' Because if we do nothing, then it almost mandates that we are going to yet again increase taxes Social Security taxes on American workers to pay for the benefits that we have promised.

I entered Congress in 1993. And actually, while I was still chairman of the Senate Finance Committee in the State of Michigan, I wrote my first Social Security bill and I introduced it when I came down here. I have introduced a Social Security bill every session since.

So my last three Social Security bills have been scored by the Social Security Administration to keep Social Security solvent for the next 75 years without any tax increases and without any cuts in benefits for seniors or near-term retirees.

I was named chairman of the Bipartisan Social Security Task Force from the Committee on the Budget. And so, we got some of the most expertise people not only in this country but throughout the world in trying to decide how we are going to fix a system that is going broke.

□ 1715

So, the first consideration is the fact that American workers now pay more in the Social Security tax than they do in the income tax. Seventy-eight percent of American workers pay more in the Social Security tax than they do the income tax.

Okay, a brief history. When Franklin Delano Roosevelt in 1935 created the Social Security program, that was over six decades ago, he wanted it to feature a private sector component to build retirement income. Social Security was supposed to be one leg of a three-legged stool to support retirees. It was supposed to go hand-in-hand with personal savings and private pension plans.

In fact, researching the archives on the debate in 1934 and 1935, the Senate on two occasions voted that individual privately-owned investments should be an alternative to a government-run program. But in the final conference committee the decision was that it would be a government program, a pay-as-you-go program, where current workers paid in their Social Security tax to support current beneficiaries.

Because at the time when the program was started the length of your life span was 62½ years, and still you had to be 65 to receive benefits, that meant most people did not live long enough to receive benefits. They paid in all their life, but then did not get anything out, and this pay-as-you-go program worked very well then. What has happened since is Social Security has fewer workers and is running out of money.

So first this evening I am going to cover a little bit of the problem, how Social Security works, and then some of the proposed solutions.

It is a system stretched to its limits. Seventy-eight million baby-boomers begin retiring in 2008. What happens at that point in time is the baby-boomers are now at the top of their income level, and we charge Social Security tax based on the first $76,000 of income, so they are paying in the maximum tax. When they get out, because there is a direct correlation between what you paid in and your income and what you are going to get in retirement benefits, they go from the big payer-inners, if you will, to the big taker-outers in Social Security benefits.

Social Security spending exceeds tax revenues in 2015. That means somehow government is going to have to come up with some more money at that point in time.

Social Security trust funds go broke in 2037, although the crisis could arrive much sooner. What government has been doing, what this Congress, this chamber, the people on this side of the aisle and that side of the aisle have been doing for the last 40 years, up until the last 3 years, is taking any extra money coming in from Social Security, the Social Security surplus, and spending it on other government programs, so it was gone.

So if we pay all that money back, and we will, somehow we have to come up with the money, then it is going to last until 2037, but we run out of money in 2015. So the big question, the problem that needs to be solved, is where does the money come from?

I think a lot of people have said, well, you know, it is just another guy with a green eyeshade on, economist, making some prediction. But insolvency is an absolute. It is certain. We know how many people there are and when they are going to retire. We know that people will live longer in retirement, and we know how much they will pay in and how much they are going to take out.

Payroll taxes will not cover benefits starting in the 2015 when we have less money coming in than is needed to pay benefits, and the shortfalls will add up to $120 trillion between 2015 and 2075. $120 trillion. Nobody knows exactly how much money that is. Probably very few of us in this chamber, and I am a senior member of the Committee on the Budget. Comparing it a little bit, our budget this year is going to be $1.9 trillion. But we are going to be $120 trillion short in terms of what we need over and above Social Security taxes, that are at record high levels already, to come up with the money to pay the benefits that have been promised.

Somehow we have got to change the program so that we start moving from a pay-as-you-go program to a program that can start earning revenues and use the magic of compounding interest to help make sure that we are not only going to cover the promised benefits, but increase those benefits.

In the bipartisan Social Security task force, we agreed, Republicans and Democrats, on 18 findings. One of the witnesses before our hearings suggested that, within the next 25 years, medical technology would allow an individual to select, to choose, whether or not they wanted to live to be 100 years old.

So back to the three-legged stool. Social Security is going to have even a tougher time if people are going to live that long. But if individuals, especially young people today, want to have the kind of retirement that is going to accommodate them to the kind of standards that they had while they were working, then there is going to have to be two more legs to that stool, and they are going to have to develop the kind of pension plans, develop the kind of savings plans, and, thirdly, make sure that Social Security stays solvent.

The demographics are part of what has led us to this situation. So if you do a chain letter, I like the cartoon I saw in one of the papers where the young worker was talking to Uncle Sam, you know, with his hat on and his stars and stripe suit, and Uncle Sam says, well, it is simple. You just put your name at the bottom of this list, you send your money to the person at the top of the list, add your name to the bottom of the list, and when your name comes up, other people will be sending you money in your retirement.

That is sort of what it is. It is a Ponzi game. It is a pay-as-you-go system that cannot survive if you start losing the names off that chain letter of the people at the bottom, if they do not keep paying the people at the top.

Back in 1940, for example, there were 38 workers working, paying in their tax, to collectively add up to the benefits that were paid to each retiree. Today we are down to three workers paying in their Social Security tax to accommodate the Social Security benefits for every one retiree, and the estimate is, by 2025, there will be two workers paying in their Social Security tax for every one retiree. So they are going to have work long and hard enough, if we keep this current system, without developing some kind of a better return on investment, if we do not start modifying it from a pay-as-you-go program to a program that individuals have some ownership of those particular accounts and they can accrue compounded interest so we will end up better off than what we are under the current program.

This just represents the problem with the red, and if this were green it might be a little better. But when we had the last change in Social Security under the Greenspan Commission in 1983, the decision then was to lower benefits and increase taxes. By the way, that is the same thing we did in 1978 when we ran into financial problems, we lowered benefits and increased taxes.

So with the increased taxes, right now there is a little more money coming in, Mr. Speaker, than is needed to pay out benefits. That stops in 2015 and we run into the red. So the future deficits in tomorrow's dollars, tomorrow's inflated dollars, are $120 trillion.

If you talk about the words ''unfunded liability,'' and those are the words that Alan Greenspan of the Federal Reserve uses, he says the unfunded liability is $9 trillion, which means we would have to have $9 trillion today and put it in an investment account earning 6.7 percent interest to accommodate through the future years the $120 trillion we are going to be short. Again, the annual budget is $1.9 trillion.

The debt, by the way, does anybody know what the debt of this country is? The total debt this country is $5.6 trillion. So what we have done, and the Constitution says the Congress has to pass a law saying that we are going to be allowed to increase the debt of this country, we have kept increasing debt, which, put in other terms seems to me, I am a farmer from Michigan, and what I always learned growing up on the farm is you try to pay off some of that mortgage so your kid might have a little easier time.

What we are doing in this country and what we have been doing in this country is leaving a larger mortgage, a larger debt to our kids. Somehow, being so egotistical we think our problems today, that we deserve to have the extra money to solve what we consider our problems today, and then we will leave that mortgage, that debt, that obligation of increased taxes to our kids and our grandkids. That is why I put up the first chart that says, let us start as part of any Social Security proposal that we do not increase taxes.

The economic growth will not fix Social Security. We are enjoying economic growth, surpluses coming in to the Federal Government, arguing about what we are going to do with those surpluses. Let me just mention three years ago I introduced a bill that said we cannot use any of the Social Security surplus for any other programs, because, if we did, under the law I introduced we would start cutting all other spending to make sure that we did not use any of the Social Security surplus.

Last year we put this into a law, we passed a bill through this chamber, maybe a little bit gimmicky, but we called it a Social Security lockbox. What that did was said in effect we are not going to spend any of the Social Security surplus for any other government programs, and the only way that surplus can be used is to help save Social Security or use it to pay down that part of the debt held by the public.

That worked. That caught on. The administration decided they had to go along with it, because it is so logical and the American people supported it.

This year, let me tell you what we have done this year to try to slow down the growth in spending. About four weeks ago the Republican Conference made a decision that we were going to take 90 percent of the surplus coming in for this fiscal year we are now appropriating money for, we are going to take 90 percent of the surplus and dedicate that to debt reduction, dedicate that money to pay down the debt held by the public, and only use 10 percent of the surplus to argue with the President, the White House or anybody else how that money might be used. So, again, a pretty good start in the right direction of starting to reduce the mortgage that otherwise we would leave to our kids and our grandkids.

On the economy, Social Security benefits are indexed to wage growth. That means the higher the wages now, the higher the benefits for everybody later on. If you have higher wages, because there is a direct relationship between what you pay in in taxes and that is based on what you are earning, your benefits are going to be higher. In other words, when the economy grows, workers pay more in taxes, but also they earn more in benefits when they retire.

Growth makes the numbers look better now, but leaves a larger hole to fill later. The administration has used these short-term advantages as an excuse to do nothing, because it looks good.

Four years ago, Social Security was going to run out of money in 2011, but, because of the economic growth, because of higher wages, more people got jobs, extra money is coming in in Social Security taxes now that is going to be offset later by larger payouts, but that puts the date of reckoning up to 2015 now. So over the last 3 years that date when there is less money coming in than is needed to pay benefits has now moved up 4 years to 2015.

A lot of people, as I have given maybe around 250 talks around Michigan, the Seventh District of Michigan, around different states of the United States, a lot of people feel that somehow there is an account with their name on it for Social Security, that they have sort of got a locked-in legal right to have some Social Security benefits.

I would remind the American people, Mr. Speaker, that the Supreme Court in two decisions now has said that there is no entitlement to Social Security, regardless of how many Social Security taxes you have paid in. They say that the Social Security tax is simply another tax. The decision for any benefits is simply an entitlement law, that can be changed at any time by Congress, with the signature of the President.

□ 1730

So no locked-in trust funds with your name on it.

These trust fund balances are available to finance future benefit payments and other trust fund expenditures but only in a bookkeeping sense.

Again, before I read the rest of this, the source of this is President Clinton's Office of Management and Budget. The trust fund, what is owed to the Social Security trust fund, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures.

Think for a moment with me. What would we do if there was no trust funds, but we made this commitment for Social Security benefits? Then we would come up with the money by increasing taxes or by cutting benefits so that we did not have to pay out so much, or a combination or borrowing more money from the public funds. That is what we would do if there was no Social Security trust fund.

There is a Social Security trust fund that has IOUs, the government's IOUs that owes Social Security approximately $900 billion, but to come up with that $900 billion, the same three things have to happen: You either reduce benefits, increase taxes or increase public borrowing.

In effect, if we are going to keep our commitment on Social Security, the paperwork, the ledger that says how much government owes Social Security is only as good as the way we come up with the money to pay it back, to make sure that we continue those Social Security benefits. We have to do it.

The key is getting a better investment on some of those Social Security funds coming in. Here again, because after 2015 all of the funds, we are going to have to call on for extra money coming in to pay benefits after 2015.

It is so important that we come up with a decision now of how to use some of this surplus in the transition to move from a fixed benefit program to at least part of the money coming in to a personally-owned savings investment account that can gain more interest income than is now accommodated by Social Security. I will come up with those figures in a minute.

But the average retiree today receives back 1.9 percent, a real return of 1.9 percent of the money they and their employer pay into Social Security. You can do better than that with a CD. The average investments over the last 100 years have averaged almost a real return of 7 percent.

Mr. Speaker, one of the proposals has been that let us borrow some of the money from the Social Security trust fund between now and 2015 and use those extra dollars, write an IOU to the Social Security trust fund, but use those extra dollars to pay down that part of the debt that is held by the public and not to give you the whole load of hay on this. But roughly of the $5.6 trillion dollar debt, there is $3.4 trillion that is so-called Wall Street debt, the Treasury paper, the Treasury bonds, what Treasury does in its auction every week.

There is $3.4 trillion there, about a trillion is owed to the Social Security trust fund, and then there is approximately another $1.3 trillion that is owed to the other 120 trust funds that we borrow money from, that the government borrows money from, and eventually we need to stop that, too.

So far we have made a decision not to borrow, not to use any more of those Social Security trust fund money for other government expenditures or to use any of the extra money coming in from Medicare for any other government expenditures.

Now, back to Vice President GORE's proposal. He says his proposal will keep Social Security solvent until 2057. What is needed over and above taxes between now and 2057 is $46.6 trillion. Paying off this $3.4 trillion dollar debt is not going to accommodate that kind of a shortfall.

We are paying about $260 billion a year interest on this $3.4 trillion debt, $260 billion a year. If we were to say, look, from now on we are going to take that $260 billion a year and we are going to credit it to Social Security, that would be represented by this blue line across the bottom.

After we hit the peak around 2015, then the $260 billion a year would lessen the obligation for Social Security, the width of that blue line, what is left is $35 trillion short of what is needed to pay those benefits. Talk about fuzzy math. This is fuzzy math.

It is adding up, in effect, another giant IOU to the trust fund but does nothing to help figure out how we are going to come up with the extra money to pay this shortfall.

This is one of this country's most important programs. I think we need to be very honest with the American people. And I would hope that any time you hear a debate or have a chance to ask questions to any Member running for Congress or the United States Senate or the candidates for President, you would say, look, what is your plan to keep Social Security solvent for the next 75 years as scored by the Social Security Administration?

It is so easy for us politicians to say, well, we are going to put Social Security first. That will not do it. I mean, these are tough decisions. There is a lot of money to come up with. Making the transition from needing all the money to pay benefits to something that you can start investing for the future is the huge challenge.

I mentioned $9 trillion. Social Security has a total unfunded liability of a little over $9 trillion. The Social Security trust fund contains nothing but IOUs. So when the Vice President says we are going to add the amount of this savings from interest savings on paying down the debt held by the public, its, in effect, adding another IOU to the ledger, but it does not accommodate how we are going to come up with the money to pay for it. That is the challenge. That is the problem.

How do we come up with those dollars? To keep paying promised Social Security benefits, the payroll tax will have to be increased by nearly 50 percent or benefits will have to be cut by 30 percent if we do nothing to change the plan, if we do not start getting a better return on some of those tax dollars coming in.

In the Social Security task force, one of the witnesses said that within the next 30 years with the decreased number of people working in relation to retirees, to cover Medicare, Medicaid and Social Security, the payroll tax would have to go up to 47 percent. Unconscionable.

We cannot allow that to happen. What would happen to our kids who if they are asked to pay that kind of payroll tax in addition to the income tax to accommodate the rest of the operation of government?

I mentioned the Social Security lockbox. It's saving Social Security trust fund dollars for Social Security, and it keeps Washington's big spenders away from that money.

The same as our 90–10 percent proposal, where 90 percent is going to pay down the debt of all of the surplus now, the diminishing returns of your Social Security investment.

I mentioned the 1.9 percent average return. For most workers, the average is 1.9 percent, but for some workers, it is a negative return. For example, minorities do not get back their money. If, you take a young black male, their average life span is 62 and a quarter years, and so that means they can pay in to Social Security all their life, but they do not get anything back and get anything out of it.

So some parts of our population are severely disadvantaged by this current system. I mean, if you are in a hard, physical work job, your lifespan normally is a little less. So Social Security gyps you a little more. The average again is 1.9 percent, the average market return over the last 50 years has been 7 percent.

Let me describe it in a little different way, because we have continually increased taxes and you are putting more into Social Security. If you have to retire in 1940, you work 2 months to get everything back you and your employer put in, and it kept going up and up, until 1980, you had to live 4 years after retirement to get it all back. If you retired in 1995, you had to live 16 years after retirement to get everything back, that went to 23 years in 2005.

Anybody that retires after 2015 is going to have to live 26 years after retirement if we do not make some changes in this program.

This is a picture I keep on my wall in my office and I ask myself how do I make the decisions on voting on any bill, because most every bill we vote on is a transfer of wealth, we take from somebody and we give it to somebody else.

Our lack of willingness to move ahead on Social Security, I criticize the White House certainly for not giving us the leadership or not coming up with a proposal that can be scored to keep Social Security solvent. I think we have missed a great opportunity over the last 8 years.

I am hoping that the next President, whoever he might be, will be willing to make some of the tough politician decisions to move ahead on Social Security.

Anyway, these are Bonnie's and my grandkids and they are getting ready for Halloween. I share these pictures with every grandparent hoping grandparents will be just as aggressive as you are faced with the temptation of somebody suggesting I am going to give you more benefits, the Vice President does that, he increases Social Security benefits, or if you are faced with how far we should go on prescription drug coverage under Medicare, where other taxpayers pay for those prescription drugs.

We have to start looking at what are the consequences on our kids and our grandkids. What is going to happen to them 20 years and 30 years from now?

Selena and James are in Pittsburgh right now. Henry is on my farm in

Addison with his dad, Brad, and his mom Diane. George is a tiger. Claire and Nicholas and Francis and Emily. Anyway, thank you for letting me share my grandkids.

Keep your own kids and grandkids in mind as Congress and politicians make all of these glorious promises that are going to leave a larger burden on our kids and our grandkids and our future.

The other consequence is how far might we increase taxes as sort of the easy way to go for this gang down in Washington.

So I'll review what has happened to tax. In 1940, the tax rate was 1 percent for the employee and 1 percent for the employer. The base was on the first $3,000, so the maximum tax was $60, employer and employee $60. By 1960, it went up to 6 percent on a base of $4,800, maximum tax for both employee and employer are $288 a year, not a piece, just $144 a piece.

In 1980, 10.16 percent, it was upped again to cover benefits on the first $25,000. So the base was raised, the rate was raised. It went to a maximum of $2,631. Today it is 12.4 percent, Social Security tax on the first $76,200, that is indexed to inflation, for a maximum tax of $9,448 a year.

As you saw, if we let this go, because of the reduced number of workers paying in their taxes in relation to the number of retirees, then the taxes could be phenomenal. Let us not allow that to happen.

Let us look at a pie chart, 78 percent of families now pay more in the payroll taxes than income taxes; too much, especially as we make this transition out for those families that have been on welfare to work and to hit them with this kind of consequence. Tax needs to be reviewed if we are going to encourage those people to start moving up that economic ladder.

The 6 principles of saving Social Security, these are my principles. They are Governor Bush's principles. They are Senator ROD GRAMS' principles. I borrowed a lot of these charts from Senator ROD GRAMS from Minnesota. Number 1, protect current and future beneficiaries; 2, allow freedom of choice; 3, preserve the safety net. Preserve the safety net, nobody has a proposal or plan that does anything to the insurance portion, to the roughly over a little over 2 percent of your Social Security tax, that is the disability insurance. That is what we are paying in to cover the insurance in case something might happen to us. So nobody has considered doing anything with that; that stays totally as a Federal program.

In fact, all of our proposals are optional. If somebody wants to stay in the current system, they would have that option. The way it is set up with some suggesting that for every $4 you make in investments, you would lose $1 less for every $4 you make in earnings. In your investments, you would lose $3 of Social Security benefits.

□ 1745

It comes close to us being able to do that, and I will get into what kind of returns we might look at with a combination of index bonds and index stocks.

We make Americans better off, not worse off. We create a fully funded system and no tax increase. And no cuts in benefits for retirees or near-term retirees.

The personal retirement accounts, they do not come out of Social Security. It has bothered me a little bit when some of the Gore campaign people have said that Governor Bush is taking a trillion dollars out of Social Security and he is jeopardizing Social Security recipients as he starts making this transition into privately owned retirement accounts. They are part of that account, and like I said, some have said for every $7 dollars made, a recipient would lose $6 of benefit. What I say in my bill that I have introduced is that assuming a 3.7 percent return on a personal retirement account investment as a reduction in Social Security benefits, and anything over a 3.7 percent return would increase the ultimate retirement benefits.

A worker will own his or her own retirement account. I think it is important simply because what I have seen this body do in the past in terms of reducing benefits.

And four, limited to safe investments that will earn more than the 1.9 percent paid by Social Security.

I forgot I had that chart, actually, but this represents what is going to happen in the next 10 years, sort of representing Governor Bush's plan to take $1 trillion out of Social Security over the next 10 years. The total revenues coming into Social Security are $7.8 trillion, total benefit costs are $5.4 trillion. It leaves a surplus of $2.4 trillion. The governor has said let us take $1 trillion of this and start those private accounts. They cannot be used for anything except retirement. They are going to be limited to safe investments, and so in fact there are some insurance companies now that will guarantee a return, a positive return on those investments.

Just covering a couple of the personal retirement accounts that would offer more retirement security than Social Security. If John Doe makes an average of $36,000 a year, he can expect monthly payments of $1,280 from Social Security. If he were investing 6 percent of that earnings, he would get $6,514 from his personal retirement account.

Galveston County, Texas. When we started Social Security in 1935, it was the option of State and counties whether or not they wanted to opt out of the Social Security system and have their own pension retirement programs. Galveston County, Texas, was one of those counties that exercised that option. The death benefits in Galveston County are now $75,000. If one dies as a worker in Social Security, it would be a death burial benefit of $253. On disability benefits under Social Security, $1,280 a month. The Galveston plan for disability benefits, $2,749 a month. Social Security benefits after retirement, same as disability, on Social Security, $1,280. The monthly payment from the Galveston plan is $4,790 a month.

This is another representation of San Diego that also wanted to have their own plan. A 30-year-old employee earns a salary of $30,000 for 35 years and contributing 6 percent to his PRA, personal retirement account, would receive $3,000 a month in retirement. Under the current system, he would contribute twice as much but receive only $1,077 under Social Security. So under the current Social Security system, he would contribute twice as much but receive almost two-thirds less.

The U.S. trails other countries. I represented the United States at an international conference in London a few years ago and I was amazed how much other countries are moving into getting real returns on those investments. In the 18 years since Chile offered the PRAs, 95 percent of the Chilean workers have created accounts. Their average rate of return has been 11.3 percent a year. Australia, Britain and Switzerland offer workers PRAs.

In Britain, here is a socialist country that is much further ahead than we are. Two out of three British workers enrolled in the second tier Social Security system choose to enroll in PRAs. British workers have enjoyed a 10 percent return on their pension investments over the past few years. The pool of personal retirement accounts in Britain now exceeds nearly $1.4 trillion, larger than their entire economy and larger than the private pensions of all other European countries.

Based on a family income of $58,475, that is a figure that came out nice for the length of this bar chart, if we are to invest either 2 percent of our payroll or 6 percent or 10 percent for 20 years, we would get $55,000, $165,000 or $274,000 back after 20 years. After 30 years, if we were to invest 10 percent, which would leave the disability part in effect, then it goes up to $800,000. And if we were to go the full height and invest 10 percent over 40 years, then we would have at the end of 40 years, because of the magic of compound interest that our money grows every year and the interest on that extra money that is compounding all the time, would amount to $1,389,000. At 10 percent interest, of course, that would be $138,000 a year. At 5 percent interest, half of that, it would be $70,000 a year.

So the question is with the fluctuation in the stock markets, is that a risk? Considering the fluctuations, what if somebody were forced to invest last year or the first of this year and take out money now? For short-term investments, there are ups and downs. For long-term investments, there has never been an average downer as low as the 1.9 percent that Social Security pays.

This represents the last hundred years, and so this is a real rate of return over and above inflation on stocks from 1901 to 1999. And we see they get as high as about 12 percent, averaging 12 percent, and as low as about 3.6 percent. But the average is 6.7 percent.

So, the key to this kind of investment is leaving that investment in for longer periods of time. I think the key in my bill I gave the option of index stock, index bonds, index global funds. These figures represent an index. But as we see, nothing is low as the 1.9 percent return that is now accommodated by Social Security.

I think my time is coming to a close, but I wanted to briefly go over the provisions of my Social Security bill. We have no tax increases, no transition costs. It balances the Social Security system for 75 years, as scored by the Social Security Administration. Newly hired State and local government employees would join, but it allows the private investment account withdrawals at age 60. What I do, instead of any kind of increase in retirement age, I build in an incentive. So if workers are 65 years old and eligible for retirement and decide to put it off, for every year they put it off, they would get an 8 percent increase in their benefits. That is actuarially sound.

So if we keep working and keep paying in our Social Security tax, the benefits for every year we put off retirement, and we are living longer, healthier lives, we would get an 8 percent increase in those benefits. So it is our decision with an incentive of whether to have our retirement age increased, and being able for some people to retire even earlier when it is actuarially sound.

Retirement age is automatically indexed to life expectancy. It increases retirement age 2 additional years. That is simply complying with current law. In 1983, they said the retirement age to get maximum benefits between 2002 and 2017, over that time period, would gradually increase from 65 to 67. So that is in current law. That is a law that they passed back in 1983.

Benefit changes. The private investment accounts using the trust fund surpluses, it gradually reduces the increase in benefits for high income retirees. Couples receive a minimum of 133 percent of the higher of each of the couple's benefits. Right now, it is 100 percent. It allows additional voluntary PRAs. And for anybody that would like to look at the Social Security background charts or the legislation I have introduced, go to one of the search engines and type in ''NICK SMITH'' and ''Social Security.'' But officially it is www.house.gov/nicksmith/welcome.html.

Mr. Speaker, I thank you for this time. I give the challenge to my colleagues to move ahead on Social Security. And most of all I give the challenge to Mr. GORE and Mr. Bush to make the effort and take whatever action is necessary to get a bipartisan agreement in this House and in the Senate to move ahead to make sure that we save Social Security and that we do it without increasing taxes and that we do it without reducing benefits for current or near-term retirees.

HEALTH CARE: THE UNFINISHED AGENDA

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from New Jersey (Mr. PALLONE) is recognized for 60 minutes.

Mr. PALLONE. Mr. Speaker, this evening I would like to take to the well again and talk about health care issues, because I do believe that when we talk about health care issues, that this is really the unfinished agenda that this Republican Congress has not addressed.

Of course, there is still time. We are still here. We are here over the weekend, are probably going to be here a good part of next week. There was an effort yesterday when the tax bill was brought up by the Republican leadership, to suggest that somehow some of the health care issues were being addressed in some minor way.

Mr. Speaker, what I wanted to begin tonight was talk about how that bill really does not accomplish anything significant to help the average American with the health care problems that they face and with the hospitals and the nursing homes and the home health agencies that are trying to provide quality health care.

Then after that, I would like to get into the three major issues that most of my constituents and most Americans talk to Members of Congress about, and that is trying to reform HMOs, trying to provide a prescription drug benefit for seniors, and trying to deal with the 42 million Americans who now have no health insurance.

Let me start with this tax bill that was voted on and that the Republican leadership brought up, because they suggested, I think inaccurately, that what they were trying to accomplish was to deal with some of the problems that occurred with the Balanced Budget Act which was passed a few years ago which cut back significantly on the money that was going to hospitals, to home health care agencies, to nursing homes, and to HMOs, and that the reimbursement rate from the Federal Government, from Medicare, Medicaid, and some of the other Federal programs that provide funding to these facilities or to these programs that provide health care services, needed to be readdressed. That there was too little of a reimbursement rate under Medicare and Medicaid and that more money needed to go back to these programs or facilities if they were going to provide a quality health care.

The problem, though, was that in making these adjustments in this tax bill, the Republican leadership essentially gave most of the money to HMOs in a fashion that I find totally objectionable, because the HMOs were not only getting huge amounts of money back from the Federal Government, but were really not caused to do anything for the average American in order to receive those funds.

I said today in a press conference that we had outside on the lawn of the Capitol with some of my Democratic colleagues that the reason this was happening, the reason why the tax bill was so favorable to the HMOs, is because basically the Republican leadership has bought into the HMOs and the special interests that are associated with the HMOs and supports them because of the special interest funding that is made available.

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What we see the HMOs doing is that the HMOs are leading the battle against the Medicare prescription drug benefit and leading the battle against HMO reform.

The Democrats and some Republicans have tried to pass a bill called the Patients' Bill of Rights. We know it as the Norwood-Dingell bill. It is bipartisan, but it is opposed by the Republican leadership. The Norwood-Dingell bill would make significant reforms to address the abuses of the HMOs. But the HMOs are fighting that tooth and nail as well as the prescription drug benefit.

So I think that basically what happened here is the Republican leadership sides with the HMOs because they are basically against the Medicare prescription drug benefit and against the Patients' Bill of Rights.

We also see that the HMOs are spending a lot of money funding negative ads against those individuals, Democrats and against some Republicans who support the Patients' Bill of Rights, who support HMO reform, who support having a prescription drug benefit under Medicare. So this is the sort of unholy alliance here that manifested itself yesterday with this tax bill to give more money back to the HMOs.

Now, let me talk a little bit about this bill because I just want to show how unfair it was and how little it would accomplish in terms of addressing the health care needs that Americans face today.