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Fight Over Tax Cut Heats Up As Bush and Moynihan Dig In

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, Jan. 18 — An emerging battle over whether to cut Social Security taxes heated up today with President Bush sharply criticizing the proposed cut while the author of the proposal, Senator Daniel Patrick Moynihan, said he would not budge.

Their statements indicated that Mr. Moynihan's proposal could trigger a fierce political and legislative battle over a sensitive issue.

Mr. Bush called the Senator's proposal to cut Social Security taxes a "charade" that would lead to a tax increase or lower retirement benefits. Mr. Moynihan, in his first interview on the subject since he made the proposal three weeks ago, insisted that he intended neither a political trap nor a gambit to force other taxes to be raised. He also strongly rejected the suggestion that he wanted to lower retirement payments.

At the White House today, President Bush repeated the charges his aides have been making for days. "It's an effort 'to get me to raise taxes on the American people by the charade of cutting them, or cut benefits,'" the President said of the Moynihan proposal, "and I'm not going to do it to the older people of the country."

With both sides jockeying for political advantage, Vice President Quayle also weighed in on what has become one of the hottest topics of an especially slow period in Washington.

In an interview with The Associated Press, the Vice President said: "Let me tell you something. Cut these taxes the way Moynihan is talking about, you

have to cut benefits at some time, and the President and the Republican Party now have an opportunity to show the American people, once and for all, that the Republicans are as committed to the integrity of this Social Security trust fund as anybody."

Moynihan Sees No Budget Link

Senator Moynihan was interviewed by in a telephone call to Jerusalem, where he is winding up a trip for the Foreign Relations Committee to Africa and the Middle East.

"No, no, no," the Senator said when asked whether his proposal was a trap to force an increase in the income tax or some other tax. "It is not fair to say I want to raise taxes to offset the Social Security tax cut."

The Social Security system, he continued, "edges on the sacred, and to see its revenues debauched this way is an independent question that stands apart from the budget deficit, a tax increase or any other question."

How It's Being Paid

As of Jan. 1, workers and their employers are each paying a 7.65 percent payroll tax, 6.2 percent for retirement under Social Security and 1.45 percent for Medicare, the health insurance program for the elderly and disabled. The Social Security rate rose from 6.06 percent last year and the overall rate from 7.51 percent.

The tax is paid on the first \$51,300 of wages. The maximum tax this year is \$3,924.45.

Mr. Moynihan would repeal this year's increase and reduce the Social Security portion of the tax to 5.1 percent next year, saving workers and their employers as much as \$560 apiece.

Social Security and Income Tax

He argued that in the Reagan and Bush years the Social Security tax had been increased to balance a cut in income taxes. That is "inequitable," he said, because the poor and the middle class are affected more by the Social Security tax and less by the income tax.

Income taxes increase the more a taxpayer earns from all sources. Social Security taxes are paid at the same rate by all workers, they are assessed only on wages and not on interest, dividends or capital gains, and they are not paid at all on wages above \$51,300.

"We now have the most regressive tax system in the Western world," Mr. Moynihan said.

Congress has been in recess since Mr. Moynihan offered his proposal just before New Year's Day. Democrats have reveled in the political discomfort it has caused President Bush and his Republican allies, but no Democrat has yet endorsed the Moynihan plan. The only support Mr. Moynihan has gained has come from a few conservative Republican lawmakers.

The view of most Democrats is that Mr. Moynihan should be applauded for underscoring the inequities of the tax

system and the extent to which Social Security revenue is being used to mask the size of the Government's budget deficit. But the Democrats, and most moderate Republicans, also believe that the country cannot afford a tax cut of any kind.

Schumer Sees Economic Danger

Reflecting that conviction, Representative Charles E. Schumer, a Brooklyn Democrat who is on the Banking and Budget committees, said a tax cut would drive up the deficit, cause more Government borrowing, soak up private savings and damage long-term economic growth.

Senator Moynihan said he hoped that the President and Congress could get together and agree on ways to reduce the budget deficit, by cutting spending or increasing some other tax. But even without that, he said, the Social Security tax should be lowered. "If the deficit is increased, that would be bad," he said. "But if we have to go through a small crisis to straighten things out, fine, let's do it."

Mr. Moynihan observed that he had long supported an increased gasoline

tax, but he said he would not stick his neck out and suggest any tax increase now unless Mr. Bush did likewise.

The issue is being driven by partisan politics. Senator Moynihan has embarrassed Republicans by proposing a tax cut. It is the same kind of proposal that helped Republicans win the last three Presidential elections.

Help to All Workers Seen

Mr. Moynihan said that a reduction in the Social Security tax would help all workers, while the Bush plan to lower the capital gains tax rate would largely help the wealthy.

The rejoinder today from Mr. Bush and Mr. Quayle — that Mr. Moynihan's plan would lead to a cut in Social Security benefits — was similarly a move to capture a Democratic stronghold, the party's long-time advocacy of higher retirement payments.

Mr. Moynihan maintains that the money raised today through Social Security taxes affects future benefits only indirectly. He said he planned nothing that would lower those benefits.

Bush: Moynihan Idea a 'Charade'

Social Security Plan Is Cover for Tax Increase, President Charges

By Ann Devroy
Washington Post Staff Writer

President Bush, leading the charge against a Democratic proposal to reduce Social Security taxes, said yesterday the plan is a "charade" aimed at getting him to raise income taxes or eventually reduce Social Security benefits.

Bush, Vice President Quayle and White House press secretary Marlin Fitzwater joined yesterday in assailing both a tax increase plan unveiled Wednesday by Sen. Ernest F. Hollings (D-S.C.) and last month's call by Sen. Daniel Patrick Moynihan (D-N.Y.) for a cut in Social Security taxes. They linked the two proposals, arguing that they are both part of a Democratic scheme to force a general tax increase.

Moynihan in December announced he will introduce legislation when Congress returns next week to roll back the Social Security tax increase that took effect this year and another hike scheduled to take effect Jan. 1, 1991.

The Moynihan plan would return the Social Security system to a pay-as-you-go system, instead of allow-

ing the buildup of a huge surplus to cover the retirement benefits of the Baby Boom generation. The surplus is being used to mask the real size of the federal budget deficit and the New York senator argues that this amounts to "thievery."

Hollings proposed Wednesday enactment of a 5 percent value added tax (VAT), in effect a national sales tax, to replace the revenues that would be lost by the Moynihan plan and by Bush's proposal to reduce taxes on capital gains.

Republicans yesterday gleefully seized on the Hollings proposal as proof that the Moynihan plan was a Democratic ploy to force a tax increase. Fitzwater, who called the Moynihan plan a "wolf in sheep's clothing," said, "First we had the tax cut, now we have the tax increase. Can cuts in [Social Security] benefits be far behind? Look out, older Americans."

Bush, questioned about the Moynihan plan at a picture-session, said, "This is an effort to get me to try to raise taxes on the American people by a charade of cutting them, or cutting benefits. And I am not going to do it to the older people in this country."

Quayle, in an interview with the Associated Press, called the Moynihan plan "a political trap, and once people understand it, they won't fall for it." Referring to the Hollings plan, he said, "The cat's a little bit out of the bag right now."

The emerging debate over the level of Social Security revenues and their use to mask the budget deficit was joined yesterday by a group of 11 leading economists, including those who have served Democratic and Republican administrations, who sharply criticized the Moynihan plan, saying it would do "serious harm to the economy."

The group said the immediate effect of cutting \$55 billion in payroll taxes would be to worsen the federal deficit, leading to an increase in interest rates and further erosion in growth of the economy.

The economists acknowledged the proposal could be a "tactical device" aimed at focusing public attention on the "outrage" of using Social Security surpluses to reduce the deficit level. But the result, they argued, could be a general tax increase and a payroll tax cut but no effort to reduce federal spending. "The best hope is that Sen. Moyni-

han's proposal provokes a review of the nation's currently absurd budgetary policies," the statement noted. "The worst fear is that it might actually be enacted."

The statement was signed by economists that included Henry Aaron of the Brookings Institution;

Nobel Prize winner James Tobin; Barry Bosworth, who served in the Carter administration; Alice Rivlin, former director of the Congressional Budget Office; Charles Schultze, and Paul Samuelson.

The White House finds itself in an awkward position, opposing a tax cut that has drawn support from its usual allies at the Chamber of Commerce and the conservative think-tanks. But officials have settled on a strategy of attempting to portray the Moynihan plan as inevitably linked to a later tax increase, or to a reduction in benefits.

Charles Krauthammer

Moynihan's Gambit: A Terrible Idea

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The '90s are three weeks old and we already have a candidate for most irresponsible idea of the decade. The idea is to cut Social Security taxes. The bomb-thrower is Sen. Daniel Moynihan (D-N.Y.).

We are a country with a \$3 trillion debt. Debt service alone claims one out of every seven dollars in the federal budget. Our savings rate in the '80s was the lowest of any of the major industrial countries (about a third of Japan's, for instance). In such a country, talk of any tax cut is irresponsible. Yet Moynihan proposes one that he matter-of-factly admits will increase next year's deficit by \$55 billion.

True, Social Security taxes are about the most unfair way to boost national savings and keep the deficit down. A responsible politician, therefore, would propose (as this most responsible columnist suggested 18 months ago) not to cut but to shift taxes: to match a cut in Social Security taxes with an offsetting rise in the more progressive income tax. That way Joe Sixpack is relieved of some of the burden of balancing the budget while the budget itself is not further unbalanced.

This Moynihan does not propose. Why? I suspect it is partly out of anger and frustration. He helped engineer the Social Security tax hike of 1983. That increase is generating a huge Social Security surplus: \$65 billion in 1990, going up to \$236 billion in the year 2000. That surplus, which Moynihan had hoped would be used to retire old debt, is instead being used to finance current deficit spending.

Moynihan's response: cut the tax, abolish the surplus. This proposal is probably meant as a ploy only. If you are going to continue to live off my Social Security tax, he is saying to George Bush, while demagoguing for a capital gains tax cut, I can out-demagogue you. If you don't stop talking about capital gains, if you don't balance the operating budget by cutting spending or raising taxes, if you don't begin using the Social Security surplus for what it was intended (to pay off old debt)—then I'll cut \$55 billion in taxes myself and really wreck the budget.

It is hard to believe that Moynihan actually wants this to happen. But ideas like this, particularly politically irresistible ideas like tax cuts, have a life of their own. Moynihan may not be able to control his monster.

Moynihan's frustration is understandable, but it doesn't justify bomb-throwing. A Social Security tax cut is a very bad idea. Why? Don't listen to me. Listen to Daniel Patrick Moynihan. Writing as late as May 1988, he reveled in the brilliance of the tax hike he now wants to kill.

"In twelve days in January 1983," wrote Moynihan, "a half dozen people in Washington put in place a revenue stream that is just beginning to flow and that, if we don't blow it, will put the Federal budget back in the black, pay off the privately held Government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more."

There is no better way to "blow it" than to destroy the surplus. Moynihan's tax cut would do exactly that.

But Moynihan now claims that the Republicans blew it. He feels betrayed that the Republicans did not clean up the budget deficit but instead used the Social Security surplus to balance the books. This he calls thievery.

Today, that is. In 1988 he considered it normal accounting. "This revenue stream must be deposited with the Treasury," he declared. Today he professes to be shocked—shocked!—that the Treasury used it to shrink the deficit.

Moynihan in 1988: "Our present deficit 'path' takes us, in theory at least, to a zero deficit by 1993. If [his italics] that happens, the revenue stream from Social Security will be sufficient to begin retiring debt by 1994."

To begin retiring debt by 1994. So all along Moynihan expected that *until 1994* the Social Security surplus would be used to shrink the *current* budget deficit. The projected Social Security surplus in 1993 is \$99 billion. All along he was prepared for \$99 billion of the Social Security surplus to go toward offsetting the operating budget deficit—a prospect, he now professes, that scandalizes him.

Why was the original Social Security tax increase such a good idea? Because, explained Moynihan in 1988, "our real economic problem is that we don't save enough." That is as true today as it was in 1988. Now, however, Moynihan launches a gratuitous proposal for a \$55 billion annual dissaving.

Moynihan really doesn't want this to happen. He wants to keep his 1983 baby, have the operating budget balanced, have his Social Security surplus retire all of our outstanding debt to the Japanese and others, and thus reclaim our economy and increase our productivity. Good idea. But he threatens the entire enterprise with his shock treatment.

Shock treatment that makes no sense. He wants to balance the operating budget without Social Security. For that, a tax hike (or drastic spending cuts) is needed. The idea that the way to get Republicans to accept a tax hike is to threaten them with a tax cut is bizarre.

It is understandable that Democrats, having been whipsawed on the tax issue for so long, now savor the chance for some tax cutting demagoguery of their own. As one eager Democrat put it, "Ronald Reagan and George Bush have relieved the Democrats of any obligation to be responsible in fiscal matters." The Moynihan gambit embraces this newly

HAYNES JOHNSON

Devilishly Clever

Pat, that pixie, has turned the Washington political world upside down. His proposal to cut the Social Security payroll tax is the most ingenious, seductive and maybe destructive Machiavellian political maneuver since the Reagan true believers came to town preaching the miracles of supply-side economics and the benefits of big tax cuts.

In one brilliant move, Sen. Daniel Patrick Moynihan (D-N.Y.) has struck a welcome blow for honesty instead of hypocrisy in government, shifted the political focus from favors for the few to those for the many, challenged every adult American to decide what he or she is willing to pay for and turned the tables on the supply-side tax-cut theorists who held sway here with such damaging effect on the country.

You remember the supply-siders. Cut taxes, they proclaimed, and miracles will occur: Economic growth will soar, tax revenues will actually *increase*, inflation will decline and savings rates will rise. And all of this will be achieved without having to endure the painful, politically unappealing process of slashing federal spending, enduring a wrenching recession or a combination of both.

Theirs was a fail-safe, pain-free formula for easy economic success and all so breathtakingly simple. Cutting oppressive top tax rates meant that people would have more money to spend. Higher tax rates discouraged investment; lowering them encouraged it. Furthermore, they promised, the more taxes were cut, the more economic activity would be generated. The greater the general prosperity, the greater the tax revenues for the general good. Why, you could actually reduce the national debt, increase defense spending *and* balance the budget within three years. Utopia.

Of course, it didn't turn out that way. The Reagan years did produce economic growth, lowered inflation and a huge defense buildup—but at a price of a severe recession in 1981-82, the greatest deficits in the nation's history, sharply reduced savings rates and a society so laden with debt that America's future has been mortgaged. It turned out, too, that the famous supply-side tax cuts were hardly as advertised. They represented a cynical public deception.

As Reagan's budget director, David A. Stockman, later confessed to writer William Greider, the truth about supply side was nothing more than the old

"trickle down" theory of economics favoring the rich over the poor. Stockman's dirty little secret, as imparted to Greider, was that supply-side doctrine "was always a Trojan Horse."

Now, with exquisite irony, it is Stockman's mentor, Moynihan, who has employed tax-cut politics to confound the conservatives and make them squirm. At Harvard University, where Moynihan then was teaching, young graduate student Stockman lived in Moynihan's home. "I have never known a man capable of such sustained self-hypnotic ideological fervor," Moynihan later said of his part-time baby sitter. "One day, he arrives at Harvard preaching the infallibility of Ho Chi Minh. Next thing you know he turns up in Washington proclaiming the immutability of the Laffer Curve."

Moynihan also was first to charge that the Reagan administration had "consciously and deliberately brought about" higher deficits as a means of forcing congressional domestic-spending cuts. At the time, Moynihan was denounced for making such an assertion. Events proved him correct, with a vengeance. Cuts necessary to achieve balanced budgets were never made, however. The deficit ballooned to even greater heights.

So, nine years later, comes a Moynihan-led move that promises to reverberate through the politics of the '90s. Under his plan, ordinary taxpayers reap the greatest tax-cut benefits. By contrast, under President Bush's capital-gains tax-cut plan, the wealthy benefit most.

Moynihan's proposal is deceptively simple and devilishly clever.

Funds from the annually rising Social Security payroll taxes are being diverted to mask the real size of the federal deficit and sustain the operating costs of the government. That's not the way it was supposed to work when Moynihan, among others, helped to achieve bipartisan agreement on Social Security. Those funds were intended to be preserved to pay Americans' retirement benefits in the next century. Instead, they're being plundered by today's politicians.

Let's end the charade, Moynihan argues. Cut back those payroll taxes and adopt a pay-as-you-go method for Social Security. Critics fear that Moynihan's plan will wreck "the system." Some of us who look back on the record of fiscal irresponsibility of the last decade think that the system already is wrecked. It's about time to start over.

Legislative Council MEETING - 29TH

TALKING POINTS

SENATOR MOYNIHAN'S PROPOSAL TO REDUCE PAYROLL TAXES

BACKGROUND

The 1983 Social Security Amendments called for increasing Social Security payroll tax (FICA) rates to assure the fiscal stability of the Old-Age Survivors and Disability Insurance Trust Funds for 75 years. The tax rates were raised in 1984, 1985, 1986 and 1990. The 1990 increase is the last scheduled raise in the rates.

In a departure from past practice, these FICA tax rates were set at a level sufficient to prefund a portion of the retirement benefits of the "baby boom" generation.

Senator Moynihan, one of the architects of the 1983 compromise, has now proposed rolling back the 1990 increase in the payroll tax (.14%) and then in 1991, "floating the tax rate--setting it a level to cover current benefits and a small contingency reserve. Essentially, current workers (dominated by the baby boom) would only pay sufficient taxes to cover current retirees and future generations would pay higher payroll taxes to cover retirement benefits for the baby boom.

"The debate over this and similar proposals is not essentially about the well being of today's retirees. Rather, it is a debate how the Social Security promise will be honored in the future. The economic choices we make in the next few years may very well determine whether or not we will be able to keep these promises for the baby boom and beyond."

This proposal raises a number of significant issues and concerns:

1. The Trust Funds do not even have a contingency reserve of one year at this time. The one year level is considered a minimum. AARP believes that up to two years reserves are necessary. The contingency reserve is needed to ensure that the Social Security System can get through periods of economic slowdown or recession without crisis.

2. Senator Moynihan's major reason for proposing a rollback in the tax rates is that the Social Security trust fund buildup is being used to mask the true extent of the Federal deficit and to finance the deficit in the operating budget of the Federal government. These are legitimate concerns but the Moynihan proposal goes well beyond simply dealing with this issue.
3. AARP believe that gradually removing the Trust Funds from the Gramm-Rudman-Hollings (GRH) deficit calculation would expose the true dimensions of the deficit and spur positive action.
4. The reserve was designed to ensure benefits to future generations. It was seen as source of new national savings which would make the economy stronger and more productive in the future.
5. The reserve was also seen as a fairer way to ensure benefits to the baby boom. It is reasonable to ask the large baby boom generation to provide for a portion of its own retirement benefits since future working generations will be of much smaller numbers.
6. However, the reserve can only serve these beneficial functions if the rest of the Federal budget is in relative balance. Senator Moynihan's proposal is based on the premise that we cannot get our budget house in order and therefore, we should not make future promises based on the buildup of the reserve. Many believe that this determination is premature and that we should not give up on the reserve yet.
7. Floating the tax rate would give an immediate tax cut to workers and their employers. But, it may undermine further confidence in Social Security. Eliminating the buildup of the reserve in favor of raises taxes in the future to pay benefits could raise anxiety and lower confidence. Some fear that benefits to the baby boom would end up being reduced because there would be little willingness in the future to raise the payroll tax to the levels necessary to sustain the current benefit promise.
8. Giving a tax cut now could be seen as little more than a continuation of the trend of the last ten years of immediate gratification with the bills to be paid later.
9. However, this tax cut is not "free". The money (\$50 billion or more in the first year of the floating tax rate) would have to be made up in other taxes or by increasing government indebtedness.
10. This proposal should be taken seriously and its effects carefully scrutinized.

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January 12, 1990

SELECTED PAST REMARKS BY SEN. MOYNIHAN ON SOCIAL SECURITY

Moynihan on Social Security and the the Greenspan Commission:

- o "'If it ain't broke, don't fix it,' is a commonsensical caution for people not content to leave well enough alone. I propose a corollary, one particularly suited to any discussion of the Social Security system; 'If it's fixed don't break it!'"[emphasis added]¹
- o "If we are to have another debate about changing the Social Security system, let us not lose sight of these facts: The program is secure; it is depended on; it is effective. The burden of proof falls upon those wishing to change things."²
- o "I submit to you that after 1985, social security will not contribute one cent to the Federal deficit -- in fact, it will be part of the solution."³
- o [The Social Security system is] "the most successful policy ever devised in our land."⁴
- o [The revenue stream resulting from the the Greenspan Commission's reforms] "will put the Federal budget back in the black, pay off the privately held government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more [emphasis added]."⁵

¹ Congressional Record, 7-31-84, E3378

² Congressional Record, 7-31-84, E3378

³ Congressional Record, 3-20-84, S2926.

⁴ "Moynihan Praises Social Security System," by Robin Greene, UPI, 12/31/88.

⁵ "Conspirators, Trillions, Limos in the Night," by Sen. Daniel Patrick Moynihan, New York Times, 5/23/88.

(more)

Background On Moynihan And The Greenspan Commission

- o As a member of the National Commission On Social Security Reform (The Greenspan Commission), which issued its report in January, 1983, Moynihan supported increases in the payroll tax that funds the retirement portion of the program -- increases to be phased-in over a seven year period. One of those increases, from 6.06 percent to 6.2 percent, just took place on January 1st. Moynihan seeks repeal of that increase, and a further cut in the rate to 5.1 percent by Jan. 1, 1991.⁶ In other words, Moynihan now wants to do away with the increases he favored in 1983.

- o In fact, Moynihan wanted the tax increases to be even higher. In a supplementary statement to the Greenspan Commission's Report, signed by Moynihan and four other members⁷, a proposal to further increase taxes read as follows:

"For purposes of present legislation we would support putting in the law now an increase in the contribution rate beginning in 2010 of $\%.046$ of payroll..."⁸ After the Greenspan Commission submitted its report, Moynihan tried his additional tax increase in the Senate Finance Committee, which voted 15-2 against Moynihan's proposal.⁹

- o The Greenspan Commission unanimously recommended, in the words of the report,

"that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its

⁶ "Moynihan's Plan Makes Bush the Tax Ogre," by Donald Lambro, Washington Times, 1/11/90.

⁷ The four other members were Lane Kirkland, Claude Pepper, Robert M. Ball, and Martha Keys. There were 15 members total on the Commission.

⁸ Report of the National Commission on Social Security Reform, (Washington, 1983).

⁹ "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

fundamental principles. The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need."[emphasis added]¹⁰

- o Both houses of Congress, in a remarkable show of unity, swiftly enacted the Greenspan Commission's recommendations, including the seven year phased-in payroll tax increase. A typical lead was from Congressional Quarterly: "Setting partisanship aside, the full House and the Senate Finance Committee have given a Social Security rescue plan a quick push toward final passage."¹¹

The vote in the House for the Greenspan reforms was 282-148, on March 9, 1983.¹² The Senate voted 58-14, on March 25th, 1983, with Moynihan voting Yea.¹³

ATTACHMENTS

¹⁰ Report of the National Commission on Social Security Reform (Washington, 1983)

¹¹ "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

¹² "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

¹³ 1983 CQ Almanac; CQ Senate Vote 54

strategy for dealing with the Soviet Union. At very least, this strategy would require a coordinated response by NATO members to major Soviet challenges around the world. Such a strategy was possible during the first twenty years of the alliance's life, but détente in the last decade brought benefits to Europe that were not shared by America. Thus, most Europeans today believe that a working relationship can be maintained with the Soviet Union, while most Americans still see the Soviet Union as an aggressive power whose designs on Europe and other regions must be resisted. This difference in perception is dividing the alliance, and ultimately may threaten its viability.

A second issue for NATO is how to ease economic tensions that are sapping the alliance's strength. The U.S. is enjoying an economic recovery that is faster than Europe's. European leaders argue that the U.S. recovery is taking place at Europe's expense, and that high U.S. interest rates soak up money that could be invested in Europe's recovery. The U.S. and Europe are also engaged in several trade disputes that have serious implications for important economic sectors on both sides of the Atlantic. The strength of NATO depends on the combined economic strength of its members, and both the U.S. and Europe will have to make future economic decisions in view of their impact on the alliance.

How NATO should react to the challenge of events beyond the North Atlantic region is a third issue. The U.S. position is that NATO should fashion a coordinated response to such events. Washington believes that NATO has a duty to act when its security is at stake, and that European members should be ready to replace U.S. forces that might be moved from Europe in an emergency. The Europeans, however, are not keen on replacing U.S. troops, and they are especially reluctant to ready their own troops for combat abroad. They point out that U.S. and European interests may not coincide outside Europe, that some nations cannot legally use armed force outside their borders, and that Europe no longer has the resources necessary to project military force to distant points.

A final issue before NATO is how to improve its conventional military strength. This is a pressing concern because there is doubt whether NATO could counter an invasion by the Warsaw Pact without early, and probably cataclysmic, use of nuclear weapons. The Europeans know that their own homelands would be the first areas devastated in a nuclear exchange, so they and the U.S. have agreed on the need to upgrade conventional forces. There is disagreement, however, on the allocation of expense. The U.S. wants its allies to increase their defense budgets 3 percent annually, just as they said that they would do in 1978. The allies say that they will do their best to increase defense spending, but contend that their economic troubles may keep them from reaching the original goal.

How the burden of a stronger conventional defense should be shared is in fact one of NATO's knottiest problems. The U.S. spends more of its gross domestic product (6.5 percent in 1982) on defense than do its NATO allies (3.7 percent in 1982), and in 1983 the U.S. increased its defense spending by 7.6 percent while the allies raised theirs by only 2 percent. For their part, the allies point out that during the 1970s they increased their defense spending by 2 percent annually while U.S. military outlays fell by 1 percent per year. They note as well that they get more value for each dollar because their conscripted forces cost less than America's volunteer force. Burden-sharing also involves NATO's commitment to a more eq-

uitable balance in arms sales between the U.S. and the allies. At present, the U.S. enjoys a seven-to-one advantage in such sales within NATO. The allies recognize NATO's need for advanced weaponry, but they are afraid that a U.S. push for more of it will give American arms manufacturers an even larger share of NATO's markets. The cost of new weapons is high, and many Europeans doubt that they can afford them.

NATO's conventional strategy is also unsettled. Greater conventional strength based on advanced weaponry would decrease NATO's reliance on nuclear weapons, but also would enable NATO to strike deep into Warsaw Pact territory. The possibility that new weaponry might cause NATO to shift to an offensive strategy is extremely troubling to many in Europe, particularly in Germany.

These are the major issues that will dominate NATO's deliberations during the coming year. One of the important ways that the U.S. can contribute to resolving them is through arms control. Goodfaith efforts and meaningful negotiations with the Soviet Union can help close the rift between American and European perceptions, and can give our friends in Europe the political support that they need to make the case for increased defense spending and stronger conventional forces.

Other issues will surface, but if the alliance can handle these it will continue to provide an effective military shield behind which the nations of the West can prosper. The allies still appreciate the importance of NATO. So do many Americans. All parties, however, must be willing to accept the responsibilities and sacrifices necessary to keep the alliance healthy.

SOCIAL SECURITY DEPENDABLE

HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

Mr. VENTO. Mr. Speaker, recently an article by Senator DANIEL PATRICK MOYNIHAN concerning the current status of our Social Security System and its outlook for the future was published in the St. Paul Sunday Pioneer Press (July 15). Senator MOYNIHAN, who served as a member of the National Commission on Social Security Reform, observes that Congress' passage of the Social Security Act Amendments of 1983 insured the future stability of our Nation's basic social insurance program and notes that the Social Security Program has helped millions of older Americans avoid living in poverty. Senator MOYNIHAN's reasoned observations are especially timely in light of the recent remarks by President Reagan suggesting that young people will never be able to receive as much from this system as they are paying into it and that further (although unspecified) changes may be necessary.

President Reagan's comments are a disservice to the Nation and only serve to exacerbate unfounded fears and anxieties among young workers and older Americans. The President's statements and responses mislead young people when he suggests that there will not be a strong Social Secu-

rity System in the future to meet the needs of today's young people. For 50 years now, the American people have honored the social contract in which working people provide the financial security for older Americans and income security for those disabled. Irresponsible statements from President Reagan or others are geared to undermine the Social Security Program and generational contract. The real risk to the Social Security Program comes from the catastrophic events in our economy which has been subjected to the roller coaster ride of Reagan's "voodoo economics." There is no sound reason to suggest that this social contract will not be honored for future generations as well as current retirees. The universal nature of the Social Security System has been and will continue to be the foundation of the System's strength, both for today's and tomorrow's beneficiaries.

(From St. Paul (MN) Sunday Pioneer Press, July 15, 1984)

SOCIAL SECURITY DEPENDABLE; DON'T TAMPER WITH IT NOW

(By Senator Daniel Patrick Moynihan)

"If it ain't broke, don't fix it," is a commonsensical caution for people not content to leave well enough alone. I propose a corollary, one particularly suited to any discussion of the Social Security system: "If it's fixed, don't break it!"

On Jan. 15, 1983, the National Commission on Social Security Reform, on which I served, agreed to a set of recommendations to put Social Security on a firm financial footing.

Our proposals became law three months later, and my optimism about their efficacy—expressed at the time—remains. On April 5 of this year, Donald T. Regan, treasury secretary; Raymond J. Donovan, labor secretary, and Margaret M. Heckler, health and human services secretary—the trustees of the Social Security funds—reported that the benefits provided "under these programs can be paid well into the next century."

During the commission's deliberations, Alan Greenspan, our chairman and former chairman of the president's Council of Economic Advisors, imposed a simple but crucial rule: Members were entitled to their own opinions, but not to their own facts. In deference to our chairman's rule, herewith some facts:

By next year, the revenues from Social Security taxes will match the costs of Social Security benefits. Indeed, we now expect revenue surpluses to begin in 1986 and build, according to Social Security's actuarial, to \$13.4 trillion by 2025 and \$18.4 trillion in 2045. Unless the economy takes a sudden nosedive and sharply erodes Social Security revenues within the next few years, the retirement and disability funding problems would seem to be behind us.

The universal social insurance system established in 1935 is central to the way we plan our lives.

Social Security is an undeniable success. The system has helped reduce poverty dramatically among the nation's elderly. In 1937, three years before the first check was distributed, two-thirds of all Americans 65 years or older had no means of support except help from friends and relatives or private charities. Today, more than 85 percent of all elderly citizens have incomes above the national poverty line.

If we are to have another debate about changing the Social Security system, let us not lose sight of these facts: The program is secure; it is depended on; it is effective. The burden of proof falls upon those wishing to change things.

President Ronald Reagan recently remarked (once again): "There is a possibility—well, probability—that many people, young people now paying in, will never be able to receive as much as they're paying." In response, James M. Brown, a spokesman for the Social Security Administration, said that Social Security "is not just a retirement benefit. You are buying a package that also includes protection against disability and death. Nobody else offers a package like that." The president sometimes seems genuinely to misunderstand the system.

Few among us know what our financial condition will be in the future, and it is only wise to eliminate fear of economic calamity by making regular, and relatively small, premium payments throughout our working lives.

At its inception in 1935, Social Security provides benefits only for retirees, but eligibility has since been broadened. In 1939 before the first benefit was paid, retirees' dependents and survivors were accepted as beneficiaries. And under President Dwight Eisenhower in 1956, permanently and totally disabled workers began receiving Social Security checks. Today, some 25 million retired workers, almost 4 million disabled workers, and more than 7 million survivors receive Social Security benefits.

As with other types of insurance, of course, the lucky ones are those who do not need to collect. But it is nice to know it is there.

There is no little antagonism to the compulsory nature of Social Security. However, the system is trustworthy only if it's universal. If given the chance, how many people would have the time, knowledge, and, above all, capital to provide security for the future? And what of those who would try but fail? Stock go down sometimes, right?

The plain fact is that Social Security means that older persons in America do not depend on their children for support. This is a blessing beyond words. Not to the children, but to the parents who know they never will be a burden to the dearest persons in their lives.

Recently, Treasury Secretary Regan said the practice of paying benefits to those at the "upper end" of the economic scale should be re-examined. Well, why should well-off Americans receive an income supplement? Because depriving them of the benefits for which they have paid undermines the insurance principle of Social Security.

Would it be right or prudent to tell those whose homes burn down that they cannot collect fire insurance because they have resources sufficient to cover the losses? Of course not. Just so with Social Security.

Once we end the universal nature of the system, we inevitably weaken the universal nature of its political support.

Certainly, there are administrative changes that can improve Social Security Administration operations. Our commission recommended, and Congress approved, appointment by the president of two members of the public to the Social Security Board of Trustees. We can enhance public confidence in the system by increasing public involvement in its oversight. But these appointments have not been made.

It has been suggested that the agency be made an independent body (it is now within the Department of Health and Human Services). I agree with Robert Ball, the agency's former commissioner, who said this step

(which would not change the benefit structure) "would add significantly to the public understanding of the trustee character of Social Security as a retirement and group insurance plan."

Social Security has been a fixture in the United States for nearly a half-century. Yet after all this time and success, some are not reconciled to it. This is unfortunate. But it is a minority view, and it doesn't change the facts. Social Security is fixed in more ways than one. Don't break it.

(Senator Moynihan, of New York, is the ranking Democrat on the Senate Finance Committee's Social Security and Income maintenance programs subcommittee.—The Los Angeles Times)

IN MEMORY OF FORMER CONGRESSMAN CHARLIE WILSON

HON. WILLIAM (BILL) CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

● Mr. CLAY. Mr. Speaker, a former colleague, Charles Wilson, passed away Saturday, July 21, 1984. I insert my message to his lovely wife, Bok, as a lasting tribute to a true friend:

DEAR BOK: You are not alone. All of Charlie's many friends share his loss with you. Carol and I count ourselves among his closest friends.

At a time like this, words are not adequate to convey the pain and emptiness we feel. Even constrained by our limited power of expression, we are compelled to verbalize the deep hurt we share with you—the loss of our dear and longtime friend, Charlie.

True friends are a rarity. Charlie was our true friend. When he laughed, we laughed. When he cried, we cried. When he rejoiced, we rejoiced. When he hurt, we hurt. When he died, a part of all mankind died.

Ernest Hemingway put it best when he wrote: "For Whom the Bell Tolls." He said, "No man is an island, entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friends or of thine own were; any man's death diminishes me, because I am involved in mankind; and therefore never seem to know for whom the bell tolls; it tolls for thee."

A longtime family commitment forced Carol and I to be in Connecticut, and we will be unable to see you for the next few days, however, we will call you when we return so that we can get together.

Sincerely,

BILL AND CAROL CLAY.●

SECTIONS 1 THROUGH 7 OF H.R. 1310

SPEECH OF

HON. SILVIO O. CONTE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 25, 1984

● Mr. CONTE. Mr. Speaker, I am glad to see that H.R. 1310, the math and science education bill, has returned to this floor for our consideration. And I am pleased to rise in support of this important measure.

Mr. Speaker, this initiative to strengthen mathematics and science education in this country is long overdue. Deficiencies in math and science curricula and equipment have serious injured the morale of this country's teachers and the capabilities of our students. The National Science Foundation (NSF) has reported that math and science teachers have had serious difficulty in obtaining information concerning new instructional materials, thereby hampering the Nation's efforts to improve curriculum. Additionally, the National Association of Secondary School Principals has reported that only 45 percent of all secondary schools possess some sort of science equipment. These are disturbing facts demonstrating serious, widespread problems in our country's ability to educate our children.

Fortunately, H.R. 1310 defines immediate Federal, State, and local roles for improving math and science education and teacher preparation. The bill provides incentives to encourage future generations of teachers to enter these fields, and to help improve the skills of current teachers. Additionally, the problems of student preparation and achievement are addressed by authorizing educational agencies and institutions to develop methods to improve, strengthen, expand, and modernize math and science education.

Moreover, H.R. 1310 addresses the serious problems of underrepresentation of women and minorities in these disciplines by requiring grant recipients to take concrete action to ensure equal educational opportunity. I strongly support this provision and salute the committee's continued efforts to improve opportunities for all Americans.

Mr. Speaker, in considering the bill before us today, however, I am concerned over one amendment added by the other body to provide funding for magnet schools which are part of an approved desegregation plan. My reservations about supporting this amendment stem from its heavy bias toward the larger school districts, while appearing to shun the smaller but equally needy districts. I understand from the colloquy on this debate, however, that the eligibility criteria set forth in the amendment do not preclude those smaller desegregating districts, and therefore I withdraw my reservations. Further I would hope that, this being the case, the Secretary will give close consideration to the needs of those smaller districts when considering awards under this program.●

others. I am proud to have the opportunity today to commend Mr. Michael Bongiovanni.

SOCIAL SECURITY

● Mr. MOYNIHAN. Mr. President, 1 year ago, the Senate began its consideration of H.R. 1900, the Social Security Act Amendments of 1983. At this benchmark, it is instructive to reflect on the reform legislation enacted last April.

I call my colleagues' attention to the recent report by the Committee for Economic Development, entitled "Social Security: From Crisis to Crisis?" CED, a private nonprofit, nonpartisan organization of business executives, has suggested that the 1983 amendments to the Social Security Act "provide very little margin of safety." It contends that, should economic and demographic trends be less favorable than assumed in the 1983 amendments, the system could face another financial crisis in this decade. The economic assumptions on which Congress relied for these amendments, it is claimed, "fall to cover a realistic range of possibilities" with respect to actual economic performance.

This simply is not the case. The National Commission on Social Security Reform, on which I served, based its recommendations on economic assumptions generally considered to be quite cautious. The intermediate assumptions were thought by some to be less favorable than our best estimates would have suggested, but we were wary of the perils of over optimism.

I submit for your attention, then, an editorial which appeared in the Washington Post on February 25, entitled "Social Security False Alarm," and a letter to the editor of the Washington Post written by Robert M. Ball and Robert J. Myers. These two pieces give an accurate first year report card on the Social Security Amendments of 1983, one that ought to be considered by all.

Mr. Ball, the distinguished former Commissioner of Social Security and a member of the National Commission, and Mr. Myers, the highly respected former Chief Actuary and Deputy Commissioner of Social Security who served as executive director of the Commission write that the economic assumptions used by the National Commission were—

Slightly on the pessimistic side (and currently economic conditions are more favorable. Moreover, even under the pessimistic assumptions, the financing of the system will be reasonably adequate in the 1980's, and it would take much more than a small unfavorable wiggle in basic trends to produce a financial crisis.

Mr. Ball and Mr. Myers make a second point of considerable importance:

The social security program, which will be part of the unified budget until 1992, will not be a part of the deficit, but rather will be part of its solution.

At a time when it has become fashionable to advocate cuts to run-away entitlement programs in order to reduce the deficit, we must recognize precisely how, or if, entitlement programs are contributing to the deficit. I submit to you that after 1985, social security will not contribute 1 cent to the Federal deficit—in fact, it will be part of the solution.

I hope that my colleagues will take the time to review these articles. There is no way to guarantee that social security will never need additional financing changes. But as the Post editorial concludes, "there is no sense in sounding a general alarm while sailing in untroubled waters." Mr. President, I request unanimous consent that the following articles from the Washington Post, "Social Security False Alarm" and "Social Security is in Good Shape" appear in the RECORD.

The articles follow:

[From The Washington Post, Feb. 25, 1984]

SOCIAL SECURITY FALSE ALARM

Less than a year ago Congress enacted a bipartisan reform program to put the Social Security retirement system on sound footing for the foreseeable future. Now comes a report from the Committee on Economic Development, a national business policy group, warning that Social Security may be in trouble before the end of the decade.

Before you pick up your pen to dash off a worried letter to the president or Congress, you should know that the CED's report is not based on any new analysis or insight. The projections it cites are taken from last year's report of the Social Security Trustees, and are essentially the same as those used by Congress and the bipartisan Social Security commission in framing the reforms put into law last March. True, things have changed somewhat since that time—but not in the way that the CED's report would suggest. They've gotten better.

The important thing to remember about last year's reforms is that, for once, they were not based on a rosy view of the future. The reform package was designed to see the Social Security trust funds through this decade under a very pessimistic economic forecast—unemployment remaining above 10 percent until 1985 and not dipping below 8 percent until almost the end of the decade, and wages barely outpacing inflation.

Of course, the economy is already much better than that. And, as the Congressional Budget Office's new projections show, even if the economy heads back into a recession a year or so from now, the trust funds should have sufficient reserves to make it through the tightest period before legislated tax increases begin to build up the funds later in the decade. And, if economic conditions become very bad, the law now contains a safeguard that keeps benefit cost-of-living adjustments from outpacing wages when trust fund reserves are low.

Beyond this decade, it's important to remember, the retirement trust fund is headed toward a period of surpluses. That's because the generation that will be retiring in the mid-1990s was born in the low-birth-rate years of the Depression, while the labor force, which pays Social Security taxes, will still be swollen by the baby-boom generation.

Sometime in the next century, when the baby-boomers reach retirement, the surpluses will disappear, as the CED warns. How-

ever Congress' brave decision to go beyond the commission's recommendations and phase in a delay in the retirement age makes it less likely that drastic changes will then be needed. In the meantime, building up enormous reserves in the trust funds—which would offset deficits in other parts of the budget—would only discourage needed budget discipline.

There is no way to put a system as big and important as Social Security on automatic pilot for all time. But there is no sense in sounding a general alarm while sailing in untroubled waters.

[From the Washington Post, Feb. 10, 1984]

SOCIAL SECURITY IS IN GOOD SHAPE

(By Robert M. Ball and Robert J. Myers)

Hobart Rowen ("Social Security: It's Not So Secure," op-ed, Feb. 16) asserts that the Social Security system is once again likely to run into financial difficulties despite the reform legislation enacted last April. A large part of his conclusion is drawn from the recent report by the Committee for Economic Development entitled "Social Security: From Crisis to Crisis?"

We disagree strongly with Rowen's conclusions. We refer only to the Social Security program (Old-Age, Survivors and Disability Insurance—OASDI) and not to the Hospital Insurance portion of the Medicare program. The National Commission on Social Security Reform recognized, and we agree, that under present law Hospital Insurance has a serious financing problem some five or more years from now. It was not the assignment of the national commission to deal with this problem, but rather with the more immediate problem of the Social Security program.

Rowen claims that eventually Social Security and other entitlement programs will require further changes for two reasons: first, "to keep them financially healthy and, second, to help cut the dangerous federal deficits." We believe that it is highly probable that the Social Security system will be financially healthy over at least the next two decades. For the period 20 to 75 years after that for which estimates are traditionally made, we believe the estimates underlying the financing of the program are reasonable and even somewhat on the conservative side.

As to Rowen's second point, the Social Security program, which will be part of the unified budget until 1992, will not be a cause of the deficit, but rather will be part of its solution. This is so because, under any reasonable assumptions, income to the self-financed OASDI trust funds will exceed outgo during the near-future years and for a couple of decades thereafter. It would not seem reasonable to further help reduce the general federal deficits by cuts in the Social Security program which, in itself, is in a state of positive fiscal balance.

The CED report leaves the implication (which Rowen latches on to) that, if economic conditions are only slightly worse than the intermediate assumptions, the system will be insolvent before the end of the 1980s. This is not correct, because the intermediate assumptions are, we believe, slightly on the pessimistic side (and currently economic conditions are more favorable). Moreover, even under the pessimistic assumptions, the financing of the system will be reasonably adequate in the 1980s, and it would take much more than "a small unfavorable wiggle in basic trends" to produce a financial crisis.

This is not to say that there is no possible scenario that would cause the Social Security system to have short-term financing

problems. What it would take is something like double-digit unemployment, with wages rising no more rapidly than prices. This we believe to be very improbable.

Even under the pessimistic assumptions of the 1983 Trustees Report, the OASDI trust funds would have a balance of at least two months' outgo at all times in the 1980s, while under the intermediate assumptions this ratio would, desirably, build up and would amount to about five months' outgo at the beginning of 1990, and increase rapidly thereafter.

We see no reason to make changes in the benefit structure in order to provide an even wider margin of safety than now exists.◊

STRENGTHENING AMERICAN EDUCATION

◊ Mr. LAUTENBERG. Mr. President, few issues have more importance to the future of our country than education. Our ability to compete in the international economy in years to come, our ability to continue as a nation of opportunity for all, and to advance together as a nation, is dependent on the education provided our young people.

Recent reports from the Commission on Excellence on Education and others highlight existing weaknesses in our educational programs. Indeed, the National Commission on Excellence in Education has likened the situation in American education today to unthinking, unilateral education disarmament.

If such an incident had been leveled at the defense establishment in this country, the cries of dismay from the White House and the Congress would have been loud and instantaneous.

Reaction to the harsh assessment of the Education Commission has been more temperate. Nevertheless, Mr. President, I, for one, must express my deep chagrin over the state into which our educational system has fallen. As the Commission on Excellence report rightly notes, citizens look to educators and elected officials to provide leadership to reverse educational trends in our country.

Providing more money for education is by no means the only answer to difficulties in education today. However, approval of increased educational expenditures can give encouragement to educators doing their best under difficult circumstances in the Nation's classrooms. It can provide increased resources for existing programs that have proved their effectiveness. It can help initiate new programs.

This year I have been working in the Senate as part of a special working group on education set up by Minority Leader ROBERT BYRD. Our group will be seeking a consensus on the appropriate spending levels for education in the fiscal year 1985 budget. After allowing for inflation, the President's budget request is about \$5 billion below what education spending was 4 years ago. While we may not be able to make up this entire shortfall, I certainly think an increase over the President's proposed budget is needed.

I have introduced legislation to provide a Federal matching grant program for computer education and teacher training. I think that computer education can serve to enhance the teaching of more traditional academic and intellectual skills. Putting computers in classrooms will not be a solution for the problems in education. However, with careful planning, computers can provide a new tool for teaching writing, mathematics, social studies, and other courses, and analytical skills.

Reauthorization of the Vocational Education Act must be a top priority for 1984. Solid vocational training is important in preparing students for productive careers.

Another major unfinished item on the education agenda is legislation to improve math and science education. The House of Representatives passed a math and science bill last spring, but the Senate has not yet scheduled consideration of its version of the bill.

The present unhappy state of American education has not developed overnight, nor will it be improved immediately. But there must be a starting point on the road to recovery.

We must not fail our children by refusing to heed the harsh message of the Nation at Risk report. We owe them the bright promise of a good education. We owe their teachers our strong support. And we owe the Nation an adequate investment in our educational system if we hope to prosper and maintain U.S. leadership in the world economy.◊

YEAR OF THE OCEAN

◊ Mr. CHAFEE. Mr. President, the ocean environment remains one of our country's most precious natural treasures. In order to encourage better understanding and appreciation of the need to preserve ocean and coastal resources, I am pleased to join Senator STEVENS as a cosponsor of Senate Joint Resolution 257, designating the 12-month period beginning July 1, 1984, as the "Year of the Ocean."

I represent the Ocean State. The sea figures prominently in Rhode Island's heritage. Narragansett Bay remains our preeminent natural, commercial, and recreational resource. Rhode Islanders cherish the ocean for its beauty, for its rich abundance of marine life, and for what it contributes to our State's economy.

Rhode Islanders are also keenly aware of the fragility of delicate ocean and coastal habitats. The problems posed by pollution, waste disposal, coastal development, and energy exploration constantly threaten the ocean environment and require action to preserve marine resources.

As we continue to exploit the wealth of the ocean, it is our responsibility to plan now for the prudent management of the marine environment. The University of Rhode Island's distinguished Graduate School of Oceanography is

making an important contribution to marine resource management through research and field services designed to promote the development, use, and conservation of ocean and coastal resources.

By designating the "Year of the Ocean" Congress can renew its commitment to addressing the problems which threaten the ocean and coastal zone. Passage of this resolution can enhance public awareness of our tremendous reliance upon marine resources, as well as the consequences of failing to manage them wisely.

The ocean is essential to the life of the world. The "Year of the Ocean" program can help us to focus on its importance in each of our lives. I hope my colleagues will join in supporting the passage of this resolution and promoting its observance.◊

HONORING JACK DEMPSEY

◊ Mr. D'AMATO. Mr. President, I rise to ask this body to honor one of America's greatest sports legends, the late Jack Dempsey. A legend in the boxing ring as well as in everyday life, Jack Dempsey's rise to heavyweight champion made him an example of the American spirit throughout the "Golden Age of Sports," the 1920's.

Like other legendary sports figures of that era, such as Babe Ruth, Bobby Jones, and Johnny Weissmuller, Jack Dempsey's style and accomplishments in his sport were revolutionary. Dempsey's aggressive "bob and weave" style ended the era of standup defensive style boxing forever and turned boxing into a top drawing spectator sport.

Winning the heavyweight crown for the first time in 1919, Dempsey retained the title until 1926. But his loss did not affect his popularity with the American public. Jack Dempsey remained a hero because he found success in his failures, an accomplishment endearing to many people who viewed Dempsey's rise to champion as representative of the everyday battles of most ordinary Americans.

His life before becoming champion also adds to the legend his name carries. The son of an impoverished Midwestern family, a miner at 13, a veteran of hobo jungles at 19, and heavyweight champion of the world at 24, Jack Dempsey's struggle is a true symbol of the American dream.

His legend is further supported by his unfailing kindness outside of the ring. From his restaurant on Broadway, Jack Dempsey played the role of host to the city of New York, as well as of a gentle, charitable man, always willing to help the unfortunate and the needy.

Touted as the greatest fighter of the half century in 1950 and inducted into the Boxing Hall of Fame in 1954, Jack Dempsey is still remembered as one of the greatest fighters of all time. But his legend is incomplete without mention of his kindness out of the boxing

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6TH STORY of Level 1 printed in FULL format.

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SECTION: Washington News

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HEADLINE: Moynihan praises Social Security system

BYLINE: By ROBIN GREENE

DATELINE: WASHINGTON

KEYWORD: Reagan-Dems

BODY:

Sen. Patrick Moynihan, D-N.Y., praised the Social Security system Saturday as "the most successful policy ever devised in our land" and then made a New Year plea on behalf of needy children in the United States.

Moynihan, who delivered the Democratic response to President Reagan's weekly radio address, got off an optimistic note by asking Americans to join him in "a special wish for President and Mrs. Reagan."

The New York senator noted that he and the president had been sparring with each other for the past eight years, saying "they've been fair fights from first to last" and admitting, "I'm going to miss them."

"Our first go-round had to do with Social Security," Moynihan said in praising the entitlement program.

"Without Social Security, almost half of the elderly would be poor today," he said. "With Social Security, Medicare and other government programs, the number of elderly poor has all but disappeared."

"Social Security is the most successful policy ever devised in our land," Moynihan said.

Citing a Census Bureau study released last week, Moynihan said: "I wish I could report that the ... study concluded the same for children. It did not. ... Government benefit programs hardly touch child poverty."

Moynihan said the study showed that "there are two kinds of children in America and they live in two kind of families."

The senator said children who live in two parent families will never be poor while children in single-parent families "will almost always be poor sooner or later."

"Their numbers are staggering," Moynihan said. "As many as one-third of our children live this way today. We've become the first industrial nation on earth in which children are the worst-off group."

Calling child poverty "the great challenge before us," Moynihan said: "If we get to work, it will really be a happy New Year."

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Conspirators, Trillions, Limos in the Night

30/104/162P
By Daniel Patrick Moynihan

This appears to be the season for disclosing Washington secrets, and I don't see why only Republicans should be able to play. I've got a pretty good one. Secret messages concealed on the Op-Ed page of The New York Times. Whispered conversations on the Senate floor. White House limos hurtling through the wintry night to a house in northwest Washington. A bedroom — yup — on the second floor of the President's guest house, where nights earlier a visiting potentate would have been skewered by a plunging chandelier had he not been mysteriously otherwise engaged at the Watergate.

Huddled conspirators. Big bucks. Like, maybe, trillions?

Trouble is it was really on the up and up. And has a happy ending. So I don't suppose it would sell, and I might as well come out with it here and now.

In brief, in 12 days in January 1983, a half dozen people in Washington put in place a revenue stream that is just beginning to flow and that, if we don't blow it, will put the Federal budget back in the black, pay off the privately held Government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more.

It all began on a Monday morning, Jan. 3. Bob Dole of Kansas had an Op-Ed article that insisted that things would soon be looking up for the Administration — there was a near-depression on — and that Congressional Republicans were behind him. Nothing special, save for one paragraph. Having said that the issues confronting them presented as much oppor-

tunity as peril, he went on:

"Social Security is a case in point. With 116 million workers supporting it and 36 million beneficiaries relying on it, Social Security overwhelms every other domestic priority. Through a combination of relatively modest steps, including some acceleration of already scheduled taxes and some reduction in the rate of future benefit increases, the system can be saved. When it is, much of the credit, rightfully, will belong to this President and his party."

Oh? Not 24 hours earlier the budget director, David A. Stockman, had foretold that the "most devastating bankruptcy in history," that of the Social Security Trust Funds, was only months away. Which wasn't so, but a lot of people believed him. What the columnist Sylvia Porter called "a scare campaign of vicious proportions" had been going on. The new breed of conservatives seemed to detest the program even more than the old breed. And the funds were going down, the result of an interval in the 1970's when prices ran ahead of wages so that cost-of-living adjustments were not being offset by increased payments into the funds.

A year or so earlier, the Senate majority leader, Howard H. Baker Jr., had put together a bipartisan National Commission on Social Security Reform. Mr. Dole and I were appointed. Alan Greenspan was made chairman. Months went by with no apparent movement from either side. Then, suddenly, this signal from Mr. Dole. He and Mr. Greenspan had come to understand that the system's problems really were temporary and that in the long term it could be made heroically solvent.

On the day I was sworn in for a second term, I went over to Mr. Dole, who happened to be on the Senate

floor. If he was as optimistic as his article suggested, shouldn't we make one last try? Two days later, he and I and Representative Barber B. Conable Jr. were secreted out to White House chief of staff James A. Baker 3d's house in northwest Washington. Negotiations began.

In time, we shifted our talks to Blair House (which was empty, owing to the chandelier incident), and on the night of Saturday, Jan. 15, we reached agreement on arrangements to save the system, which were promptly endorsed by the commission and the President.

Most of this story is now familiar. Here is what is not generally understood. Almost everyone involved knew — by then — that the Administration had got the nation's finances in terrible shape. Mr. Stockman, who joined our deliberations, has written about this in great detail. There would be \$200 billion budget deficits "as far as the eye could see." The national debt would triple in eight years.

A true inside story revealed by the Senator Who Knows!

And President Reagan was not going to do anything to prevent it.

And so we would. Until then, Social Security had been on a pay-as-you-go basis, with a little cushion to take care of economic downturns. We could have fluffed up that cushion and let it go at that. We decided instead on a radical change in policy. Henceforth, we would collect and save for the far future, and not just the next year. An immense reserve would begin to accumulate before beginning to run down about 2030. In the process, we would pay off the national debt.

We have now had four full calendar years of the new revenue base. The trustees have just reported, and I have just had the first oversight hearing. Here are the numbers. The Social Security Trust Funds are increasing at the rate of \$100,440,000 per day and rising.

The current reserve is approaching \$100 billion. Between now and the year 2000 it will grow to \$1.4 trillion. (As of 1987, the entire assets of private pension funds were about \$1.49 billion.) This revenue stream must be deposited with the Treasury. If at the end of the day the Treasury has more money on hand than it needs, it simply retires privately held debt.

This can sound arcane but isn't. Every week some millions of Treasury bonds and bills "mature" and are cashed in. At present, the Treasury "rolls over" the debt, issuing new bonds or bills to get the cash to pay off the old ones. But if it isn't short of cash it needn't do this. The national debt begins to shrink.

Our present deficit "path" takes us, in theory at least, to a zero deficit by 1993. If that happens, the revenue stream from Social Security will be sufficient to begin retiring debt by

It all started with a Dole article.

1994. As public debt declines, national savings increase.

By 2010 the Social Security reserve is projected to be nearly \$4.5 trillion. (\$4,460,000,000,000!) If we wanted to go all the way, we could probably have zero national debt by that time. For the first time, incidentally, since 1836 — when we were down to \$30,000.

We could of course blow the opportunity. We could start to "spend" the Social Security surplus rather than using it to retire debt, and so get rid of the deficit. (Which for practical purposes now consists almost entirely of debt service.) But surely we should "save" it, and thus put aside the fiscal mess of the 80's.

Our real economic problem is that we don't save enough. Of 24 members of the Organization for Economic Cooperation and Development, we rank 20th, followed by Iceland, and a few such. Yet, as one witness at our oversight hearings put it, by the next decade we could be "awash in capital." This is the one sure way — saving and investment — to make certain the Social Security funds are still ample when the baby boom retirees.

One further point. In the near term, the proportion of retired persons in the population will be quite stable: the depression babies. Today, there are 21 persons retired for every 100 of working age. This ratio stays flat through 2010. Claims on the funds will be steady.

There you have it. Hard to believe? Yes. But within our grasp.

All done in 12 days in January. □

Daniel Patrick Moynihan, Democrat of New York, is chairman of the Senate Finance Committee's subcommittee on Social Security and Family Policy.

Moynihan's plan makes Bush the tax ogre

By Donald Lambro
THE WASHINGTON TIMES

A Democratic proposal to reduce Social Security taxes is winning cheers from conservatives and business groups, but it has put President Bush in the risky position of opposing a politically appealing tax cut aimed at his middle-class support-

ers.

The proposal by New York Sen. Daniel Patrick Moynihan, which would cut the payroll tax by more than a percentage point, has spawned an internal political debate within the White House, according to administration officials.

It also has triggered some unusually harsh criticism of Mr. Bush

from some of his traditional supporters.

"This is a very dumb thing for the [administration] to be doing," said Kate O'Beirne, deputy director for domestic policy studies at the Heritage Foundation, which has enthusiastically endorsed the Moynihan tax cut. "Cutting the payroll tax is good politics and good policy. Working-

class Americans are clearly over-taxed."

There were even some within the administration, such as Housing and Urban Development Secretary Jack Kemp, who made it known yesterday that they support the idea of cutting the payroll tax to boost savings and

see TAXES, page A10

TAXES

From page A1

economic growth.

"[Budget Director Richard] Darman's position that he wants to keep the [Social Security] surplus buildup and opposes the tax cut is inconsistent with Jack's position," said a top Kemp aide. "He sees this as a burden on middle-income workers and small businesses."

Mr. Moynihan chairs the Senate Finance subcommittee on Social Security and is considered by groups representing the elderly to be one of the program's strongest supporters. He surprised his party's leadership and the administration when he unexpectedly announced late last month that he would introduce legislation to cut the payroll tax when Congress returns to business on Jan. 23.

The Social Security tax rate that funds the retirement portion of the program increased on Jan. 1 from 6.06 percent to 6.2 percent. Mr. Moynihan would repeal that increase retroactively and then cut the tax rate further to 5.1 percent by Jan. 1, 1991.

"This would be a \$55 billion tax cut for working people in 1991, and the amount would be greater in future years," Mr. Moynihan said in announcing the idea.

His proposal would benefit primarily working-class and middle-income taxpayers — the bedrock political constituencies that have

helped the Republicans win the White House in five out of the last six presidential elections.

Among other things, say economic and political analysts, it hands the Democrats a golden opportunity to appeal to traditionally Republican voters and at the same time turn the tables on the Bush administration by forcing it to oppose a popular tax-cutting idea.

"Poor George Bush," said Robert Shapiro, director of economic studies with the Progressive Policy Insti-

opposed by Mr. Bush. Mr. Darman says the \$55 billion in lost Social Security revenue that the tax cut would cost in 1991 alone would balloon the deficit and lead to renewed Democratic pressure to raise the top income tax rates.

Mr. Moynihan has yet to say how he will offset this revenue loss, whether through spending cuts or tax increases elsewhere.

White House Chief of Staff John Sununu said earlier this week that the administration was against cut-

Ironically, the strongest and most immediate support for Mr. Moynihan's proposal has come from an unholy alliance of liberal and conservative organizations, business groups and some GOP leaders in Congress.

tute, a Democratic think tank, and a close Moynihan adviser. "The White House decision to oppose the Moynihan tax cut makes him not only the president of no new taxes but of no new tax cuts."

According to Mr. Shapiro, an enthusiastic supporter of the idea, "The Democrats have learned the lesson that the Republicans have taught them, that there is never a political cost to cutting taxes. I think the political temptation is too great for the Democrats to turn away from this."

The Moynihan proposal is flatly

ting the payroll tax until the deficit was eliminated. Mr. Bush is expected to propose an alternative plan in his forthcoming budget to gradually reduce the national debt by using the accumulated Social Security surpluses.

Nevertheless, aides to the president said yesterday that Mr. Moynihan's proposal has been getting long and serious scrutiny.

"There's been a lot of debate over it, pro and con," said one Bush adviser. "This is a very clever political move by Moynihan, but we don't think it's going to hurt us politically."

Ironically, the strongest and most immediate support for Mr. Moynihan's proposal has come from an unholy alliance of liberal and conservative organizations, business groups and some GOP leaders in Congress. In addition to Heritage's endorsement, the proposal has won favorable reactions from the libertarian Cato Institute, the National Taxpayers Union, the National Federation of Independent Business and the U.S. Chamber of Commerce.

"It's a good idea," said David Boaz, executive vice president of the Cato Institute. The administration "ought to become an enthusiastic sponsor of it. Otherwise, they'll let the Democrats steal the most successful Republican issue."

Support on the left also has come from the Institute of Policy Studies, where public policy analyst Robert Borosage has called the idea "good economics, good public policy and good politics — the first protest of an increasingly hard-pressed middle class."

On Capitol Hill, Sen. Robert Kas-ten of Wisconsin, one of the leading Republican supply-side tax cutters, has indicated he would like to co-sponsor the measure. GOP support also has been voiced by House Minority Whip Newt Gingrich of Georgia and Rep. Henry Hyde of Illinois.

However, Democratic leaders have yet to reveal their positions, though Ed Lopez, Mr. Moynihan's chief Social Security aide, said the senator has been receiving support from Democratic offices "at the staff level" for the idea.

**REPORT OF THE
NATIONAL COMMISSION
ON
SOCIAL SECURITY
REFORM**

JANUARY 1983



1/8

SUPPLEMENTARY STATEMENT

BY

Commissioners Robert M. Ball, Martha Keys,
Lane Kirkland, Daniel Patrick Moynihan and Claude Pepper
(members selected by the Democratic leadership of the Congress)

Long-Term Financing and Issues of Special Concern to Women

Meeting the Remaining Long-Term Deficit

All of us supported the compromise agreement which is being recommended by a vote of 12 to 3 of the full Commission.^{1/} The agreement provides for fully meeting the Commission's short-term financing goal and also for meeting about two-thirds of the Commission's long-term goal--1.22% of payroll out of the 1.8% projected need.

We recommend that the remaining 0.58% of payroll deficit be met by providing additional revenues starting in the year 2010, in advance of the period when the bulk of the deficit is projected to occur. Sufficient additional revenues would be provided by an increase of less than one-half of 1% (0.46%) in deductions from workers' earnings beginning in 2010 and a like amount in employer payroll taxes (with an equal combined rate for the self-employed) or the revenue could be supplied by an equivalent general revenue contribution, or some combination of the two. For purposes of present legislation we would support putting in the law now an increase in the contribution rate beginning in 2010 of 0.46% of payroll (with the employee contribution offset by a refundable income tax credit) recognizing, of course, that in the next century the Congress may prefer to raise the money in some other way and that, in fact, such a rate increase would not be allowed to go into effect unless estimates at the time of the scheduled increase showed that it would be needed.

Benefit Cuts Under Pickle Plan

Percentage of Full Retirement Benefits*

Age at Retirement	Current Law	End of Stage One (2009)	End of Stage Two (2027)
62	80.0%	75.0%	70.0%
63	86.7	80.0	75.0
64	93.3	86.7	80.0
65	100.0	93.3	86.7
66	103.0	100.0	93.3
67	106.0	108.0	100.0

*Percentage of benefits available to a worker who retires at the normal retirement age.

tion for his long defense of the elderly, most would not give him their votes.

The Pickle amendment was approved by a 228-202 vote, with the backing of 152 Republicans and 76 Democrats, including Ways and Means Chairman Dan Rostenkowski, D-Ill., and a majority of committee members. (Vote 20, p. 530)

Pepper's measure, despite the backing of House Speaker Thomas P. O'Neill Jr., D-Mass., was rejected by a vote of 132-296. (Vote 21, p. 530)

"History is being written on this floor. We are changing the tradition of this country," O'Neill said when it was apparent the Pepper measure would fail. "In America, each generation has always paid for the generation that has gone before them."

The controversy over raising the retirement age or increasing taxes has been one of the major ones surrounding the Social Security crisis.

Pepper's impassioned plea to his colleagues not to cut benefits won him a standing ovation, but it was not enough to convince most members that the "structural" change of a higher retirement age was the best way to restore the confidence of current workers in the retirement system.

The Pickle amendment would raise the retirement age in two stages. The first would be a gradual increase from 65 to 66 over a six-year period ending in the year 2009. The second increase would be from 66 to 67 over another six-year period ending in the year 2027.

While individuals still would be able to take early retirement at age 62, their benefits would be reduced from the current 80 percent of full benefits to 70 percent in 2027. (Box, above)

Opponents seized on this change

and charged it would penalize the millions of workers who must retire early because of poor health or mandatory retirement.

"This amendment assumes people are able to work longer than they are now. This is just not the case," argued James M. Shannon, D-Mass. "This will simply cut their benefits."

But Pickle defended the age increase as necessary to keep up with changing demographics. He pointed out that life expectancy had increased more than 10 years since the 65-year retirement age was set in place over 40 years ago.

Raising the retirement age is "not harsh," he said. "That is just in keeping with the times."

Pickle's amendment also would require the Department of Health and Human Services to make recommendations by Jan. 1, 1986, on how Congress should deal with individuals who cannot retire later because of physically demanding jobs.

Those voting against passage of the bill included both liberals opposed to the higher retirement age and coverage of federal employees and conservatives opposed to additional taxes.

Senate Solution

The Finance Committee agreed to a broader package of changes to address the system's long-range problems.

The package, proposed by John Heinz, R-Pa., and adopted 13-4, called for a gradual increase in the retirement age from 65 to 66 over a 15-year period beginning in the year 2000.

It also would reduce initial benefits by 5 percent beginning the same year. Currently, workers receive an initial Social Security payment equal

to about 42 percent of their last paycheck. The package would reduce this "replacement rate" to 40 percent.

In addition, Heinz' amendment called for elimination of the current penalty imposed on beneficiaries who work after they reach retirement age, over a five-year period beginning in 1990. Now, benefits are reduced \$1 for every \$2 retirees up to age 70 earn over \$6,600 a year.

The package also would increase benefits for those who leave the work force to care for their children at home under age six. Currently, a worker's five lowest-earning, or non-earning, years are not counted when determining his or her initial Social Security benefit. The bill would allow two additional "drop-out" years for child care.

The committee rejected 15-2 a proposal by Daniel Patrick Moynihan, D-N.Y., to raise payroll taxes in the year 2010, in place of benefit cuts.

Other Finance Action

The committee also rejected 11-6 a motion by Russell B. Long, D-La., to delay the effective date of a provision calling for Social Security coverage of new federal employees until a supplemental Civil Service retirement plan could be established.

Members have given assurances that such a supplemental plan would be set up, but federal workers fear they face retirement benefit cuts if no new workers are available to pay into their current system.

Federal employee unions have waged an all-out campaign to defeat the coverage provision, but have met with little success so far. Finance Chairman Robert Dole, R-Kan., charged that a delay in the Jan. 1, 1984, effective date would only give lobbyists a longer time to fight for repeal.

Besides agreeing to the package of long-term provisions, the committee made several other changes in the House bill. One of the major ones was a proposal by Long to cut beneficiaries' cost-of-living checks, as a last resort, if reserves in the Social Security trust funds fall below a certain level because of unexpectedly bad economic conditions.

The provision would go into effect in 1985, but would be used only after all other emergency measures allowed in the bill — including borrowing between the system's three trust funds — had been exhausted.

The bill also would require the managers of the trust funds to give

six-months' notice that such a benefit cut might be necessary so that Congress would have the option to make other adjustments to the system before the COLA cuts were made.

The committee also agreed to:

- Include tax-exempt income when computing a beneficiary's income to determine if his or her Social Security benefits should be taxed. Both the House and Senate bills call for taxation of a portion of benefits for individuals whose adjusted gross income, plus 50 percent of Social Security benefits, exceeds \$25,000 (\$32,000 for married couples filing a joint return).

The proposal was offered by John H. Chafee, R-R.I., who argued that some beneficiaries might try to avoid the new tax by diverting their taxable income into tax-exempt income.

- Provide a more generous tax credit to offset higher taxes for the self-employed. The Finance Committee bill calls for a credit against self-employment taxes of 2.9 percent in 1984, 2.5 percent in 1985, 2.2 percent in 1986, 2.1 percent in 1987-89 and 2.3 percent after 1989.

The House bill calls for a credit of 2.1 percent in 1984, 1.8 percent in 1985-87 and 1.9 percent after 1987. Both measures would increase payroll taxes for the self-employed 33 percent, beginning in 1984, to equal the combined taxes now paid by employers and employees.

- Eliminate Social Security benefits for non-resident aliens, their dependents and survivors, except for payments equal to the amount the alien worker had paid into the system, plus interest.

- Expand Social Security coverage to include all new federal employees, members of Congress, the president and vice president. The House bill also would include top political appointees, certain elected officials and sitting federal judges.

- Exempt from Social Security coverage members of the Amish religious sect who work for Amish employers.

- Allow the three Social Security trust funds to borrow from each other through 1987, as long as no funds were borrowed from the Hospital Insurance (HI) trust fund, which finances Medicare, when its reserves were low.

- Eliminate Social Security benefits for imprisoned felons.

Jobless Benefits/SSI

The Finance Committee also agreed to a slightly less generous six-month extension of federal emergency

jobless benefits than the program adopted by the House. Existing emergency benefits, approved by Congress last year, are set to expire March 31. (*Background, Weekly Report p. 420*)

The Senate measure — expected to cost over \$2 billion — would allow up to eight more weeks of benefits to those individuals who have exhausted up to 55 weeks of federal and state benefits before April 1. The House bill would allow up to 10 more weeks.

In addition, individuals who do not qualify for the federal emergency benefits until after April 1 could receive up to 14 weeks of additional benefits depending on their state's jobless rate, under the Finance bill.

Those who have not exhausted their emergency benefits when the extension expires Sept. 30 could receive up to 50 percent of their remaining payments after the expiration date.

The Senate bill also would provide a plan to give certain hard-hit states some leeway in repaying interest owed on outstanding loans from the federal unemployment trust fund. Currently, states owe about \$12 billion to the fund, and many see little chance of being able to repay the loans, or make large interest payments, soon.

Under the plan, states would be allowed to spread their interest payments over a five-year period if they can show that they are taking steps to improve the solvency of their state unemployment compensation programs.

The committee also agreed to accept provisions in the House bill to increase monthly SSI benefits \$20 and to delay a scheduled SSI COLA six months until January 1985.

Medicare Provisions

The Senate bill's Medicare provisions are generally the same as those in the House measure, with differences in certain details. (*House bill, Weekly Report p. 455*)

For instance, both bills depart from the administration proposal by mandating that hospital admission patterns and other factors be reviewed to guard against costly manipulations of the new system, or poor care for patients. But the Senate measure specifies that Professional Review Organizations (PROs) authorized in the 1982 tax bill must do the job, while the House bill permits the use of other types of organizations. The Senate bill does not include a House provision authorizing severe penalties for certain violations of the system or compromised quality of care.

Both bills are based on the administration plan to provide for a system of set prices for inpatient treatment of different illnesses, and they prohibit charging individual patients more than the set price. Hospitals delivering care for less than the set price may keep the difference. This scheme would replace the existing system in which, within certain limits, hospitals are paid after delivery of care for the portion of their total costs attributable to Medicare patients.

The set prices would not include hospitals' teaching costs or capital expenditures for construction or major equipment; those costs would continue to be paid under the existing system. The Senate bill, however, mandates that capital costs be factored into the new price structure after October 1986. Many medical economists regard controls on capital expenditures to be an important step toward controlling inflation in health care costs.

Both bills substitute a four-year phase-in of the new payment method for the Oct. 1 effective date suggested by the administration. Both require separate rates for urban and rural hospitals, and for different regions of the country; the administration plan had called for a single, national schedule of rates with area adjustments only for labor costs. Both would give state cost control systems substantially more authority than the administration wanted to depart from the set-price payment method if they meet certain criteria.

Both bills require the secretary of health and human services to study and report to Congress on the feasibility of applying the new price system to physician services in the future. ■

CLARIFICATION

Medicare Payments. Weekly Report p. 457, col. 3, 2nd full paragraph. The Gephardt amendment permits hospitals to bill separately for services provided during hospitalization if the hospital billed separately for such services before Oct. 1, 1982. However, because the legislation (HR 1900) includes an overall prohibition against billing individual Medicare patients, separate billings under this provision would be allowed only to Part B of Medicare, the optional plan that covers physician fees. ■

The National Commission makes the following recommendations unanimously:

- (1) The members of the National Commission believe that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its fundamental principles.* The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need.**
- (2) The National Commission recommends that, for purposes of considering the short-range financial status of the OASDI Trust Funds, \$150-200 billion in either additional income or in decreased outgo (or a combination of both) should be provided for the OASDI Trust Funds in calendar years 1983-89.
- (3) The National Commission finds that, for purposes of considering the long-range financial status of the OASDI Trust Funds, its actuarial

* See additional views of Commissioner Archer in Chapter 4.

** See additional views (with regard to the last point) of Commissioners Archer, Fuller, and Waggoner in Chapter 4.

11/12

Leaders Optimistic:

Social Security Rescue Plan Rushes to Final Hill Accord

Setting partisanship aside, the full House and the Senate Finance Committee have given a Social Security rescue plan a quick push toward final passage.

The House March 9, by a 282-148 vote, passed a bill (HR 1900) to keep the system from going broke. The Finance Committee approved a similar measure (S 1) the following day by a vote of 18-1. (*House vote 23, p. 530*)

The legislation now goes to the Senate floor where debate is expected to begin March 15 or 16. Congressional leaders are optimistic about sending a package to President Reagan before the March 26 Easter break.

The votes in both houses heralded the end of nearly two years of bitter partisan bickering over Social Security. Members indicated they expected little trouble with the legislation before it reaches the president's desk.

Congress must complete action soon or the financially troubled retirement system will be unable to pay out some 36 million benefit checks in July.

The House and Finance Committee measures closely parallel the recommendations made in January by the president's National Commission on Social Security Reform. But they also include provisions dealing with the system's long-range problems — an area where the commission could not reach consensus — that appear to have dampened much of the conservative opposition to the commission plan. (*Commission recommendations, Weekly Report p. 155*)

These include steps in both bills to raise the retirement age. The House would raise the age gradually from 65 to 67 by the year 2027; the Senate Finance Committee approved a one-year increase by the year 2015, but it also agreed to cut initial benefits 5 percent after the turn of the century.

William L. Armstrong, R-Colo.,

—By Pamela Fessler
and Elizabeth Wehr

one of the biggest Senate opponents of the commission plan, praised the Finance Committee bill, although he said he still planned to offer some floor amendments.

He observed that quick action in both houses and adoption of the retirement-age increase had proved "the cynics are wrong. There are occasions when Congress will rally to the task and do what is politically hard."

Armstrong and other conservatives had criticized the commission's rescue plan because of its reliance on some large tax increases to keep the

all new federal employees and workers in non-profit organizations beginning Jan. 1, 1984, and would include all current and new members of Congress under the Social Security system.

In addition, both bills include a major revamping of the way the government reimburses hospitals under Medicare and a six-month extension of an emergency jobless benefit program. They also increase certain Supplemental Security Income (SSI) benefits for the aged, blind and disabled poor.

Pickle or Pepper?

Final House passage did not come without a sometimes emotional floor debate over the best way to solve the system's projected financial difficulties when the Baby Boom generation begins to retire in the next century.

The president's commission left

**"The cynics are wrong.
There are occasions when Congress
will rally to the task and
do what is politically hard."**

—Sen. William L. Armstrong, R-Colo.



system afloat. One critic, Steven D. Symms, R-Idaho, cast the one dissenting vote in the Finance Committee.

Both bills would raise about \$165 billion over the next seven years. They are expected to solve the retirement and disability system's financial problems well into the next century by raising a total of almost \$1.9 trillion over a 75-year period.

Besides increasing the retirement age, the two measures would raise scheduled payroll taxes over the next decade, delay the July cost-of-living allowance (COLA) six months and tax the Social Security benefits of high-income individuals for the first time.

They also call for the coverage of

that sensitive issue unresolved, and the House Ways and Means Committee bill called for a hybrid solution — cutting benefits and raising taxes — with the understanding that two substitute proposals would be considered on the floor. (*Weekly Report p. 453*)

Besides an amendment raising the retirement age — offered by Social Security Subcommittee Chairman J. J. Pickle, D-Texas — Rules Committee Chairman Claude Pepper, D-Fla., proposed a .53 percentage point increase in payroll taxes in the year 2010 to prevent a cut in benefits.

But House members showed during the debate that while they were willing to give Pepper their admira-

CQ Senate Vote 54

Corresponding to Congressional Record Vote 54

13

54	54	54	KEY
ALABAMA Denton Y Helin ?	IOWA Grassley Y Jensen Y	NEW HAMPSHIRE Mumfery Y Rudman Y	Y Voted for (yea). # Paired for. + Announced for. N Voted against (nay). X Paired against. - Announced against. P Voted "present". C Voted "present" to avoid possible conflict of interest. ? Did not vote or otherwise make a position known. Democrats Republicans
ALASKA Murkowski + Stevens Y	KANSAS Dale Y Kassebaum Y	NEW JERSEY Bradley Y Lautenberg Y	
ARIZONA Goldwater + DeConcini ?	KENTUCKY Ford Y Huddleston ?	NEW MEXICO Domenici Y Bingamon Y	
ARKANSAS Bumpers Y Pryor ?	LOUISIANA Jahrahn ? Long N	NEW YORK D'Amato Y Moynihan Y	
CALIFORNIA Wilson Y Cranston Y	MAINE Cohen Y Mitchell Y	NORTH CAROLINA East N Helms ?	
COLORADO Armstrong N Horn ?	MARYLAND Mathias ? Sarbanes ?	NORTH DAKOTA Anders Y Burdick Y	
CONNECTICUT Weicker + Dodd Y	MASSACHUSETTS Kennedy ? Tsongas Y	OHIO Glenn Y Metzenbaum ?	TEXAS Towser ? Bentsen ?
DELAWARE Roth ? Biden Y	MICHIGAN Levin Y Reagle Y	OKLAHOMA Nickles N Boren N	UTAH Garn N Hatch N
FLORIDA Hawkins Y Chiles ?	MINNESOTA Beachwitz Y Durenberger Y	OREGON Hatfield ? Packwood ?	VERMONT Stafford ? Leahy Y
GEORGIA Mattingly N Hann N	MISSISSIPPI Cochran Y Stennis Y	PENNSYLVANIA Hain Y Specter Y	VIRGINIA Trible Y Warner Y
HAWAII Inouye ? Matsunaga Y	MISSOURI Danforth Y Eagleton ?	RHODE ISLAND Chafee Y Pell +	WASHINGTON Gorton Y Jackson Y
IDaho McClure N Symms N	MONTANA Baucus Y Melcher Y	SOUTH CAROLINA Thurmond Y Hollings N	WEST VIRGINIA Byrd Y Randolph Y
ILLINOIS Percy ? Dixon Y	NEBRASKA Eson N Zorinsky N	SOUTH DAKOTA Abdnar Y Pressler ?	WISCONSIN Kasten Y Proxmire Y
INDIANA Lugar Y Quayle ?	NEVADA Macht Y Laxalt ?	TENNESSEE Baker Y Sasser Y	WYOMING Simpson Y Wallace Y

ND - Northern Democrats SD - Southern Democrats (Southern states - Ala., Ark., Fla., Ga., Ky., La., Miss., N.C., Okla., S.C., Tenn., Texas, Va.)

54. HR 1900. Social Security Act Amendments. Adoption of the conference report on the bill to overhaul the Social Security system, to revamp the way the federal government reimburses hospitals for Medicare, to extend the federal supplemental unemployment benefit program for six months and to increase Supplemental Security Income benefits. Adopted (thus cleared for the president) 58-14: R 32-8; D 26-6 (ND 22-2, SD 4-4), in the session that began March 24, 1983. A "yea" was a vote supporting the president's position.

January 12, 1990

SELECTED PAST REMARKS BY SEN. MOYNIHAN ON SOCIAL SECURITY

Moynihan on Social Security and the the Greenspan Commission:

- o "'If it ain't broke, don't fix it,' is a commonsensical caution for people not content to leave well enough alone. I propose a corollary, one particularly suited to any discussion of the Social Security system; 'If it's fixed don't break it!'"[emphasis added]¹
- o "If we are to have another debate about changing the Social Security system, let us not lose sight of these facts: The program is secure; it is depended on; it is effective. The burden of proof falls upon those wishing to change things."²
- o "I submit to you that after 1985, social security will not contribute one cent to the Federal deficit -- in fact, it will be part of the solution."³
- o [The Social Security system is] "the most successful policy ever devised in our land."⁴
- o [The revenue stream resulting from the the Greenspan Commission's reforms] "will put the Federal budget back in the black, pay off the privately held government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more [emphasis added]."⁵

¹ Congressional Record, 7-31-84, E3378

² Congressional Record, 7-31-84, E3378

³ Congressional Record, 3-20-84, S2926.

⁴ "Moynihan Praises Social Security System," by Robin Greene, UPI, 12/31/88.

⁵ "Conspirators, Trillions, Limos in the Night," by Sen. Daniel Patrick Moynihan, New York Times, 5/23/88.

(more)

Background On Moynihan And The Greenspan Commission

- o As a member of the National Commission On Social Security Reform (The Greenspan Commission), which issued its report in January, 1983, Moynihan supported increases in the payroll tax that funds the retirement portion of the program -- increases to be phased-in over a seven year period. One of those increases, from 6.06 percent to 6.2 percent, just took place on January 1st. Moynihan seeks repeal of that increase, and a further cut in the rate to 5.1 percent by Jan. 1, 1991.⁶ In other words, Moynihan now wants to do away with the increases he favored in 1983.

- o In fact, Moynihan wanted the tax increases to be even higher. In a supplementary statement to the Greenspan Commission's Report, signed by Moynihan and four other members⁷, a proposal to further increase taxes read as follows:

"For purposes of present legislation we would support putting in the law now an increase in the contribution rate beginning in 2010 of $\%.046$ of payroll..." After the Greenspan Commission submitted its report, Moynihan tried his additional tax increase in the Senate Finance Committee, which voted 15-2 against Moynihan's proposal.⁸

- o The Greenspan Commission unanimously recommended, in the words of the report,

"that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its

⁶ "Moynihan's Plan Makes Bush the Tax Ogre," by Donald Lambro, Washington Times, 1/11/90.

⁷ The four other members were Lane Kirkland, Claude Pepper, Robert M. Ball, and Martha Keys. There were 15 members total on the Commission.

⁸ Report of the National Commission on Social Security Reform, (Washington, 1983).

⁹ "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

fundamental principles. The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need."[emphasis added]¹⁰

- o Both houses of Congress, in a remarkable show of unity, swiftly enacted the Greenspan Commission's recommendations, including the seven year phased-in payroll tax increase. A typical lead was from Congressional Quarterly: "Setting partisanship aside, the full House and the Senate Finance Committee have given a Social Security rescue plan a quick push toward final passage."¹¹

The vote in the House for the Greenspan reforms was 282-148, on March 9, 1983.¹² The Senate voted 58-14, on March 25th, 1983, with Moynihan voting Yea.¹³

ATTACHMENTS

¹⁰ Report of the National Commission on Social Security Reform (Washington, 1983)

¹¹ "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

¹² "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

¹³ 1983 CQ Almanac; CQ Senate Vote 54

strategy for dealing with the Soviet Union. At very least, this strategy would require a coordinated response by NATO members to major Soviet challenges around the world. Such a strategy was possible during the first twenty years of the alliance's life, but détente in the last decade brought benefits to Europe that were not shared by America. Thus, most Europeans today believe that a working relationship can be maintained with the Soviet Union, while most Americans still see the Soviet Union as an aggressive power whose designs on Europe and other regions must be resisted. This difference in perception is dividing the alliance, and ultimately may threaten its viability.

A second issue for NATO is how to ease economic tensions that are sapping the alliance's strength. The U.S. is enjoying an economic recovery that is faster than Europe's. European leaders argue that the U.S. recovery is taking place at Europe's expense, and that high U.S. interest rates soak up money that could be invested in Europe's recovery. The U.S. and Europe are also engaged in several trade disputes that have serious implications for important economic sectors on both sides of the Atlantic. The strength of NATO depends on the combined economic strength of its members, and both the U.S. and Europe will have to make future economic decisions in view of their impact on the alliance.

How NATO should react to the challenge of events beyond the North Atlantic region is a third issue. The U.S. position is that NATO should fashion a coordinated response to such events. Washington believes that NATO has a duty to act when its security is at stake, and that European members should be ready to replace U.S. forces that might be moved from Europe in an emergency. The Europeans, however, are not keen on replacing U.S. troops, and they are especially reluctant to ready their own troops for combat abroad. They point out that U.S. and European interests may not coincide outside Europe, that some nations cannot legally use armed force outside their borders, and that Europe no longer has the resources necessary to project military force to distant points.

A final issue before NATO is how to improve its conventional military strength. This is a pressing concern because there is doubt whether NATO could counter an invasion by the Warsaw Pact without early, and probably cataclysmic, use of nuclear weapons. The Europeans know that their own homelands would be the first areas devastated in a nuclear exchange, so they and the U.S. have agreed on the need to upgrade conventional forces. There is disagreement, however, on the allocation of expense. The U.S. wants its allies to increase their defense budgets 3 percent annually, just as they said that they would do in 1978. The allies say that they will do their best to increase defense spending, but contend that their economic troubles may keep them from reaching the original goal.

How the burden of a stronger conventional defense should be shared is in fact one of NATO's knottiest problems. The U.S. spends more of its gross domestic product (6.5 percent in 1982) on defense than do its NATO allies (3.7 percent in 1982), and in 1983 the U.S. increased its defense spending by 7.6 percent while the allies raised theirs by only 2 percent. For their part, the allies point out that during the 1970s they increased their defense spending by 2 percent annually while U.S. military outlays fell by 1 percent per year. They note as well that they get more value for each dollar because their conscripted forces cost less than America's volunteer force. Burden-sharing also involves NATO's commitment to a more eq-

uitable balance in arms sales between the U.S. and the allies. At present, the U.S. enjoys a seven-to-one advantage in such sales within NATO. The allies recognize NATO's need for advanced weaponry, but they are afraid that a U.S. push for more of it will give American arms manufacturers an even larger share of NATO's markets. The cost of new weapons is high, and many Europeans doubt that they can afford them.

NATO's conventional strategy is also unsettled. Greater conventional strength based on advanced weaponry would decrease NATO's reliance on nuclear weapons, but also would enable NATO to strike deep into Warsaw Pact territory. The possibility that new weaponry might cause NATO to shift to an offensive strategy is extremely troubling to many in Europe, particularly in Germany.

These are the major issues that will dominate NATO's deliberations during the coming year. One of the important ways that the U.S. can contribute to resolving them is through arms control. Goodfaith efforts and meaningful negotiations with the Soviet Union can help close the rift between American and European perceptions, and can give our friends in Europe the political support that they need to make the case for increased defense spending and stronger conventional forces.

Other issues will surface, but if the alliance can handle these it will continue to provide an effective military shield behind which the nations of the West can prosper. The allies still appreciate the importance of NATO. So do many Americans. All parties, however, must be willing to accept the responsibilities and sacrifices necessary to keep the alliance healthy. □

SOCIAL SECURITY DEPENDABLE

HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

• Mr. VENTO. Mr. Speaker, recently an article by Senator DANIEL PATRICK MOYNIHAN concerning the current status of our Social Security System and its outlook for the future was published in the St. Paul Sunday Pioneer Press (July 15). Senator MOYNIHAN, who served as a member of the National Commission on Social Security Reform, observes that Congress' passage of the Social Security Act Amendments of 1983 insured the future stability of our Nation's basic social insurance program and notes that the Social Security Program has helped millions of older Americans avoid living in poverty. Senator MOYNIHAN's reasoned observations are especially timely in light of the recent remarks by President Reagan suggesting that young people will never be able to receive as much from this system as they are paying into it and that further (although unspecified) changes may be necessary.

President Reagan's comments are a disservice to the Nation and only serve to exacerbate unfounded fears and anxieties among young workers and older Americans. The President's statements and responses mislead young people when he suggests that there will not be a strong Social Secu-

rity System in the future to meet the needs of today's young people. For 50 years now, the American people have honored the social contract in which working people provide the financial security for older Americans and income security for those disabled. Irresponsible statements from President Reagan or others are geared to undermine the Social Security Program and generational contract. The real risk to the Social Security Program comes from the catastrophic events in our economy which has been subjected to the roller coaster ride of Reagan's "voodoo economics!" There is no sound reason to suggest that this social contract will not be honored for future generations as well as current retirees. The universal nature of the Social Security System has been and will continue to be the foundation of the System's strength, both for today's and tomorrow's beneficiaries.

[From St. Paul (MN) Sunday Pioneer Press, July 15, 1984]

SOCIAL SECURITY DEPENDABLE, DON'T TAMPER WITH IT NOW

(By Senator Daniel Patrick Moynihan)

"If it ain't broke, don't fix it." is a commonsensical caution for people not content to leave well enough alone. I propose a corollary, one particularly suited to any discussion of the Social Security system: "If it's fixed, don't break it!"

On Jan. 15, 1983, the National Commission on Social Security Reform, on which I served, agreed to a set of recommendations to put Social Security on a firm financial footing.

Our proposals became law three months later, and my optimism about their efficacy—expressed at the time—remains. On April 5 of this year, Donald T. Regan, treasury secretary; Raymond J. Donovan, labor secretary, and Margaret M. Heckler, health and human services secretary—the trustees of the Social Security funds—reported that the benefits provided "under these programs can be paid well into the next century."

During the commission's deliberations, Alan Greenspan, our chairman and former chairman of the president's Council of Economic Advisors, imposed a simple but crucial rule: Members were entitled to their own opinions, but not to their own facts. In deference to our chairman's rule, herewith some facts:

By next year, the revenues from Social Security taxes will match the costs of Social Security benefits. Indeed, we now expect revenue surpluses to begin in 1986 and build, according to Social Security's actuarial, to \$13.4 trillion by 2025 and \$18.4 trillion in 2045. Unless the economy takes a sudden nosedive and sharply erodes Social Security revenues within the next few years, the retirement and disability funding problems would seem to be behind us.

The universal social insurance system established in 1935 is central to the way we plan our lives.

Social Security is an undeniable success. The system has helped reduce poverty dramatically among the nation's elderly. In 1937, three years before the first check was distributed, two-thirds of all Americans 65 years or older had no means of support except help from friends and relatives or private charities. Today, more than 85 percent of all elderly citizens have incomes above the national poverty line.

If we are to have another debate about changing the Social Security system, let us not lose sight of these facts: The program is secure; it is depended on; it is effective. The burden of proof falls upon those wishing to change things.

President Ronald Reagan recently remarked (once again): "There is a possibility—well, probability—that many people, young people now paying in, will never be able to receive as much as they're paying." In response, James M. Brown, a spokesman for the Social Security Administration, said that Social Security "is not just a retirement benefit. You are buying a package that also includes protection against disability and death. Nobody else offers a package like that." The president sometimes seems genuinely to misunderstand the system.

Few among us know what our financial condition will be in the future, and it is only wise to eliminate fear of economic calamity by making regular, and relatively small, premium payments throughout our working lives.

At its inception in 1935, Social Security provides benefits only for retirees, but eligibility has since been broadened. In 1939 before the first benefit was paid, retirees' dependents and survivors were accepted as beneficiaries. And under President Dwight Eisenhower in 1956, permanently and totally disabled workers began receiving Social Security checks. Today, some 25 million retired workers, almost 4 million disabled workers, and more than 7 million survivors receive Social Security benefits.

As with other types of insurance, of course, the lucky ones are those who do not need to collect. But it is nice to know it is there.

There is no little antagonism to the compulsory nature of Social Security. However, the system is trustworthy only if it's universal. If given the chance, how many people would have the time, knowledge, and, above all, capital to provide security for the future? And what of those who would try but fail? Stock go down sometimes, right?

The plain fact is that Social Security means that older persons in America do not depend on their children for support. This is a blessing beyond words. Not to the children, but to the parents who know they never will be a burden to the dearest persons in their lives.

Recently, Treasury Secretary Regan said the practice of paying benefits to those at the "upper end" of the economic scale should be re-examined. Well, why should well-off Americans receive an income supplement? Because depriving them of the benefits for which they have paid undermines the insurance principle of Social Security.

Would it be right or prudent to tell those whose homes burn down that they cannot collect fire insurance because they have resources sufficient to cover the losses? Of course not. Just so with Social Security.

Once we end the universal nature of the system, we inevitably weaken the universal nature of its political support.

Certainly, there are administrative changes that can improve Social Security Administration operations. Our commission recommended, and Congress approved, appointment by the president of two members of the public to the Social Security Board of Trustees. We can enhance public confidence in the system by increasing public involvement in its oversight. But these appointments have not been made.

It has been suggested that the agency be made an independent body (it is now within the Department of Health and Human Services). I agree with Robert Ball, the agency's former commissioner, who said this step

(which would not change the benefit structure) "would add significantly to the public understanding of the trustee character of Social Security as a retirement and group insurance plan."

Social Security has been a fixture in the United States for nearly a half-century. Yet after all this time and success, some are not reconciled to it. This is unfortunate. But it is a minority view, and it doesn't change the facts. Social Security is fixed in more ways than one. Don't break it.

(Senator Moynihan, of New York, is the ranking Democrat on the Senate Finance Committee's Social Security and Income maintenance programs subcommittee.—The Los Angeles Times)

IN MEMORY OF FORMER CONGRESSMAN CHARLIE WILSON

HON. WILLIAM (BILL) CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

● Mr. CLAY. Mr. Speaker, a former colleague, Charles Wilson, passed away Saturday, July 21, 1984. I insert my message to his lovely wife, Bok, as a lasting tribute to a true friend:

DEAR BOK: You are not alone. All of Charlie's many friends share his loss with you. Carol and I count ourselves among his closest friends.

At a time like this, words are not adequate to convey the pain and emptiness we feel. Even constrained by our limited power of expression, we are compelled to verbalize the deep hurt we share with you—the loss of our dear and longtime friend, Charlie.

True friends are a rarity. Charlie was our true friend. When he laughed, we laughed. When he cried, we cried. When he rejoiced, we rejoiced. When he hurt, we hurt. When he died, a part of all mankind died.

Ernest Hemingway put it best when he wrote: "For Whom the Bell Tolls." He said, "No man is an island, entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friends or of thine own were; any man's death diminishes me, because I am involved in mankind; and therefore never seem to know for whom the bell tolls; it tolls for thee."

A longtime family commitment forced Carol and I to be in Connecticut, and we will be unable to see you for the next few days, however, we will call you when we return so that we can get together.

Sincerely,

BILL AND CAROL CLAY.●

SECTIONS 1 THROUGH 7 OF H.R. 1310

SPEECH OF

HON. SILVIO O. CONTE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 25, 1984

● Mr. CONTE. Mr. Speaker, I am glad to see that H.R. 1310, the math and science education bill, has returned to this floor for our consideration. And I am pleased to rise in support of this important measure.

Mr. Speaker, this initiative to strengthen mathematics and science education in this country is long overdue. Deficiencies in math and science curricula and equipment have serious injured the morale of this country's teachers and the capabilities of our students. The National Science Foundation [NSF] has reported that math and science teachers have had serious difficulty in obtaining information concerning new instructional materials, thereby hampering the Nation's efforts to improve curriculum. Additionally, the National Association of Secondary School Principals has reported that only 45 percent of all secondary schools possess some sort of science equipment. These are disturbing facts demonstrating serious, widespread problems in our country's ability to educate our children.

Fortunately, H.R. 1310 defines immediate Federal, State, and local roles for improving math and science education and teacher preparation. The bill provides incentives to encourage future generations of teachers to enter these fields, and to help improve the skills of current teachers. Additionally, the problems of student preparation and achievement are addressed by authorizing educational agencies and institutions to develop methods to improve, strengthen, expand, and modernize math and science education.

Moreover, H.R. 1310 addresses the serious problems of underrepresentation of women and minorities in these disciplines by requiring grant recipients to take concrete action to ensure equal educational opportunity. I strongly support this provision and salute the committee's continued efforts to improve opportunities for all Americans.

Mr. Speaker, in considering the bill before us today, however, I am concerned over one amendment added by the other body to provide funding for magnet schools which are part of an approved desegregation plan. My reservations about supporting this amendment stem from its heavy bias toward the larger school districts, while appearing to shun the smaller but equally needy districts. I understand from the colloquy on this debate, however, that the eligibility criteria set forth in the amendment do not preclude those smaller desegregating districts, and therefore I withdraw my reservations. Further I would hope that, this being the case, the Secretary will give close consideration to the needs of those smaller districts when considering awards under this program.●

others. I am proud to have the opportunity today to commend Mr. Michael Bongiovanni.

SOCIAL SECURITY

● Mr. MOYNIHAN. Mr. President, 1 year ago, the Senate began its consideration of H.R. 1900, the Social Security Act Amendments of 1983. At this benchmark, it is instructive to reflect on the reform legislation enacted last April.

I call my colleagues' attention to the recent report by the Committee for Economic Development, entitled "Social Security: From Crisis to Crisis?" CED, a private nonprofit, non-partisan organization of business executives, has suggested that the 1983 amendments to the Social Security Act "provide very little margin of safety." It contends that, should economic and demographic trends be less favorable than assumed in the 1983 amendments, the system could face another financial crisis in this decade. The economic assumptions on which Congress relied for these amendments, it is claimed, "fall to cover a realistic range of possibilities" with respect to actual economic performance.

This simply is not the case. The National Commission on Social Security Reform, on which I served, based its recommendations on economic assumptions generally considered to be quite cautious. The intermediate assumptions were thought by some to be less favorable than our best estimates would have suggested, but we were wary of the perils of over optimism.

I submit for your attention, then, an editorial which appeared in the Washington Post on February 25, entitled "Social Security False Alarm," and a letter to the editor of the Washington Post written by Robert M. Ball and Robert J. Myers. These two pieces give an accurate first year report card on the Social Security Amendments of 1983, one that ought to be considered by all.

Mr. Ball, the distinguished former Commissioner of Social Security and a member of the National Commission, and Mr. Myers, the highly respected former Chief Actuary and Deputy Commissioner of Social Security who served as executive director of the Commission write that the economic assumptions used by the National Commission were—

Slightly on the pessimistic side (and currently economic conditions are more favorable. Moreover, even under the pessimistic assumptions, the financing of the system will be reasonably adequate in the 1980's, and it would take much more than a small unfavorable wiggle in basic trends to produce a financial crisis.

Mr. Ball and Mr. Myers make a second point of considerable importance:

The social security program, which will be part of the unified budget until 1992, will not be a part of the deficit, but rather will be part of its solution.

At a time when it has become fashionable to advocate cuts to run-away entitlement programs in order to reduce the deficit, we must recognize precisely how, or if, entitlement programs are contributing to the deficit. I submit to you that after 1985, social security will not contribute 1 cent to the Federal deficit—in fact, it will be part of the solution.

I hope that my colleagues will take the time to review these articles. There is no way to guarantee that social security will never need additional financing changes. But as the Post editorial concludes, "there is no sense in sounding a general alarm while sailing in untroubled waters." Mr. President, I request unanimous consent that the following articles from the Washington Post, "Social Security False Alarm" and "Social Security is in Good Shape" appear in the RECORD.

The articles follow:

[From The Washington Post, Feb. 25, 1984]
SOCIAL SECURITY FALSE ALARM

Less than a year ago Congress enacted a bipartisan reform program to put the Social Security retirement system on sound footing for the foreseeable future. Now comes a report from the Committee on Economic Development, a national business policy group, warning that Social Security may be in trouble before the end of the decade.

Before you pick up your pen to dash off a worried letter to the president or Congress, you should know that the CED's report is not based on any new analysis or insight. The projections it cites are taken from last year's report of the Social Security Trustees, and are essentially the same as those used by Congress and the bipartisan Social Security commission in framing the reforms put into law last March. True, things have changed somewhat since that time—but not in the way that the CED's report would suggest. They've gotten better.

The important thing to remember about last year's reforms is that, for once, they were not based on a rosy view of the future. The reform package was designed to see the Social Security trust funds through this decade under a very pessimistic economic forecast—unemployment remaining above 10 percent until 1985 and not dipping below 8 percent until almost the end of the decade, and wages barely outpacing inflation.

Of course, the economy is already much better than that. And, as the Congressional Budget Office's new projections show, even if the economy heads back into a recession a year or so from now, the trust funds should have sufficient reserves to make it through the tightest period before legislated tax increases begin to build up the funds later in the decade. And, if economic conditions become very bad, the law now contains a safeguard that keeps benefit cost-of-living adjustments from outpacing wages when trust fund reserves are low.

Beyond this decade, it's important to remember, the retirement trust fund is headed toward a period of surpluses. That's because the generation that will be retiring in the mid-1990s was born in the low-birth-rate years of the Depression, while the labor force, which pays Social Security taxes, will still be swollen by the baby-boom generation.

Sometime in the next century, when the baby-boomers reach retirement, the surpluses will disappear, as the CED warns. Howev-

er Congress' brave decision to go beyond the commission's recommendations and phase in a delay in the retirement age makes it less likely that drastic changes will then be needed. In the meantime, building up enormous reserves in the trust funds—which would offset deficits in other parts of the budget—would only discourage needed budget discipline.

There is no way to put a system as big and important as Social Security on automatic pilot for all time. But there is no sense in sounding a general alarm while sailing in untroubled waters.

[From the Washington Post, Feb. 10, 1984]

SOCIAL SECURITY IS IN GOOD SHAPE

(By Robert M. Ball and Robert J. Myers)

Hobart Rowen ["Social Security: It's Not So Secure," op-ed, Feb. 16] asserts that the Social Security system is once again likely to run into financial difficulties despite the reform legislation enacted last April. A large part of his conclusion is drawn from the recent report by the Committee for Economic Development entitled "Social Security: From Crisis to Crisis?"

We disagree strongly with Rowen's conclusions. We refer only to the Social Security program (Old-Age, Survivors and Disability Insurance—OASDI) and not to the Hospital Insurance portion of the Medicare program. The National Commission on Social Security Reform recognized, and we agree, that under present law Hospital Insurance has a serious financing problem some five or more years from now. It was not the assignment of the national commission to deal with this problem, but rather with the more immediate problem of the Social Security programs.

Rowen claims that eventually Social Security and other entitlement programs will require further changes for two reasons: first, "to keep them financially healthy and, second, to help cut the dangerous federal deficits." We believe that it is highly probable that the Social Security system will be financially healthy over at least the next two decades. For the period 20 to 75 years after that for which estimates are traditionally made, we believe the estimates underlying the financing of the program are reasonable and even somewhat on the conservative side.

As to Rowen's second point, the Social Security program, which will be part of the unified budget until 1992, will not be a cause of the deficit, but rather will be part of its solution. This is so because, under any reasonable assumptions, income to the self-financed OASDI trust funds will exceed outgo during the near-future years and for a couple of decades thereafter. It would not seem reasonable to further help reduce the general federal deficits by cuts in the Social Security program which, in itself, is in a state of positive fiscal balance.

The CED report leaves the implication (which Rowen latches on to) that, if economic conditions are only slightly worse than the intermediate assumptions, the system will be insolvent before the end of the 1980s. This is not correct, because the intermediate assumptions are, we believe, slightly on the pessimistic side (and currently economic conditions are more favorable). Moreover, even under the pessimistic assumptions, the financing of the system will be reasonably adequate in the 1980s, and it would take much more than "a small unfavorable wiggle in basic trends" to produce a financial crisis.

This is not to say that there is no possible scenario that would cause the Social Security system to have short-term financing

problems. What it would take is something like double-digit unemployment, with wages rising no more rapidly than prices. This we believe to be very improbable.

Even under the pessimistic assumptions of the 1983 Trustees Report, the OASDI trust funds would have a balance of at least two months' outgo at all times in the 1980s, while under the intermediate assumptions this ratio would, desirably, build up and would amount to about five months' outgo at the beginning of 1990, and increase rapidly thereafter.

We see no reason to make changes in the benefit structure in order to provide an even wider margin of safety than now exists.●

STRENGTHENING AMERICAN EDUCATION

● **Mr. LAUTENBERG.** Mr. President, few issues have more importance to the future of our country than education. Our ability to compete in the international economy in years to come, our ability to continue as a nation of opportunity for all, and to advance together as a nation, is dependent on the education provided our young people.

Recent reports from the Commission on Excellence on Education and others highlight existing weaknesses in our educational programs. Indeed, the National Commission on Excellence in Education has likened the situation in American education today to unthinking, unilateral education disarmament.

If such an incident had been leveled at the defense establishment in this country, the cries of dismay from the White House and the Congress would have been loud and instantaneous.

Reaction to the harsh assessment of the Education Commission has been more temperate. Nevertheless, Mr. President, I, for one, must express my deep chargin over the state into which our educational system has fallen. As the Commission on Excellence report rightly notes, citizens look to educators and elected officials to provide leadership to reverse educational trends in our country.

Providing more money for education is by no means the only answer to difficulties in education today. However, approval of increased educational expenditures can give encouragement to educators doing their best under difficult circumstances in the Nation's classrooms. It can provide increased resources for existing programs that have proved their effectiveness. It can help initiate new programs.

This year I have been working in the Senate as part of a special working group on education set up by Minority Leader ROBERT BYRD. Our group will be seeking a consensus on the appropriate spending levels for education in the fiscal year 1985 budget. After allowing for inflation, the President's budget request is about \$5 billion below what education spending was 4 years ago. While we may not be able to make up this entire shortfall, I certainly think an increase over the President's proposed budget is needed.

I have introduced legislation to provide a Federal matching grant program for computer education and teacher training. I think that computer education can serve to enhance the teaching of more traditional academic and intellectual skills. Putting computers in classrooms will not be a solution for the problems in education. However, with careful planning, computers can provide a new tool for teaching writing, mathematics, social studies, and other courses, and analytical skills.

Reauthorization of the Vocational Education Act must be a top priority for 1984. Solid vocational training is important in preparing students for productive careers.

Another major unfinished item on the education agenda is legislation to improve math and science education. The House of Representatives passed a math and science bill last spring, but the Senate has not yet scheduled consideration of its version of the bill.

The present unhappy state of American education has not developed overnight, nor will it be improved immediately. But there must be a starting point on the road to recovery.

We must not fail our children by refusing to heed the harsh message of the Nation at Risk report. We owe them the bright promise of a good education. We owe their teachers our strong support. And we owe the Nation an adequate investment in our educational system if we hope to prosper and maintain U.S. leadership in the world economy.●

YEAR OF THE OCEAN

● **Mr. CHAFEE.** Mr. President, the ocean environment remains one of our country's most precious natural treasures. In order to encourage better understanding and appreciation of the need to preserve ocean and coastal resources, I am pleased to join Senator STEVENS as a cosponsor of Senate Joint Resolution 257, designating the 12-month period beginning July 1, 1984, as the "Year of the Ocean."

I represent the Ocean State. The sea figures prominently in Rhode Island's heritage. Narragansett Bay remains our preeminent natural, commercial, and recreational resource. Rhode Islanders cherish the ocean for its beauty, for its rich abundance of marine life, and for what it contributes to our State's economy.

Rhode Islanders are also keenly aware of the fragility of delicate ocean and coastal habitats. The problems posed by pollution, waste disposal, coastal development, and energy exploration constantly threaten the ocean environment and require action to preserve marine resources.

As we continue to exploit the wealth of the ocean, it is our responsibility to plan now for the prudent management of the marine environment. The University of Rhode Island's distinguished Graduate School of Oceanography is

making an important contribution to marine resource management through research and field services designed to promote the development, use, and conservation of ocean and coastal resources.

By designating the "Year of the Ocean" Congress can renew its commitment to addressing the problems which threaten the ocean and coastal zone. Passage of this resolution can enhance public awareness of our tremendous reliance upon marine resources, as well as the consequences of failing to manage them wisely.

The ocean is essential to the life of the world. The "Year of the Ocean" program can help us to focus on its importance in each of our lives. I hope my colleagues will join in supporting the passage of this resolution and promoting its observance.●

HONORING JACK DEMPSEY

● **Mr. D'AMATO.** Mr. President, I rise to ask this body to honor one of America's greatest sports legends, the late Jack Dempsey. A legend in the boxing ring as well as in everyday life, Jack Dempsey's rise to heavyweight champion made him an example of the American spirit throughout the "Golden Age of Sports," the 1920's.

Like other legendary sports figures of that era, such as Babe Ruth, Bobby Jones, and Johnny Weissmuller, Jack Dempsey's style and accomplishments in his sport were revolutionary. Dempsey's aggressive "bob and weave" style ended the era of standup defensive style boxing forever and turned boxing into a top drawing spectator sport.

Winning the heavyweight crown for the first time in 1919, Dempsey retained the title until 1926. But his loss did not affect his popularity with the American public. Jack Dempsey remained a hero because he found success in his failures, an accomplishment endearing to many people who viewed Dempsey's rise to champion as representative of the everyday battles of most ordinary Americans.

His life before becoming champion also adds to the legend his name carries. The son of an impoverished Midwestern family, a miner at 13, a veteran of hobo jungles at 19, and heavyweight champion of the world at 24, Jack Dempsey's struggle is a true symbol of the American dream.

His legend is further supported by his unfailing kindness outside of the ring. From his restaurant on Broadway, Jack Dempsey played the role of host to the city of New York, as well as of a gentle, charitable man, always willing to help the unfortunate and the needy.

Touted as the greatest fighter of the half century in 1950 and inducted into the Boxing Hall of Fame in 1954, Jack Dempsey is still remembered as one of the greatest fighters of all time. But his legend is incomplete without mention of his kindness out of the boxing

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BYLINE: By ROBIN GREENE

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BODY:

Sen. Patrick Moynihan, D-N.Y., praised the Social Security system Saturday as "the most successful policy ever devised in our land" and then made a New Year plea on behalf of needy children in the United States.

Moynihan, who delivered the Democratic response to President Reagan's weekly radio address, got off an optimistic note by asking Americans to join him in "a special wish for President and Mrs. Reagan."

The New York senator noted that he and the president had been sparring with each other for the past eight years, saying "they've been fair fights from first to last" and admitting, "I'm going to miss them."

"Our first go-round had to do with Social Security," Moynihan said in praising the entitlement program.

"Without Social Security, almost half of the elderly would be poor today," he said. "With Social Security, Medicare and other government programs, the number of elderly poor has all but disappeared.

"Social Security is the most successful policy ever devised in our land," Moynihan said.

Citing a Census Bureau study released last week, Moynihan said: "I wish I could report that the ... study concluded the same for children. It did not. ... Government benefit programs hardly touch child poverty."

Moynihan said the study showed that "there are two kinds of children in America and they live in two kind of families."

The senator said children who live in two parent families will never be poor while children in single-parent families "will almost always be poor sooner or later."

"Their numbers are staggering," Moynihan said. "As many as one-third of our children live this way today. We've become the first industrial nation on earth in which children are the worst-off group."

Calling child poverty "the great challenge before us," Moynihan said: "If we get to work, it will really be a happy New Year."

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Conspirators, Trillions, Limos in the Night

By Daniel Patrick Moynihan

This appears to be the season for disclosing Washington secrets, and I don't see why only Republicans should be able to play. I've got a pretty good one. Secret messages concealed on the Op-Ed page of The New York Times. Whispered conversations on the Senate floor. White House limos hurtling through the wintry night to a house in northwest Washington. A bedroom — yup — on the second floor of the President's guest house, where nights earlier a visiting potentate would have been skewered by a plunging chandelier had he not been mysteriously otherwise engaged at the Watergate.

Huddled conspirators. Big bucks. Like, maybe, trillions?

Trouble is it was really on the up and up. And has a happy ending. So I don't suppose it would sell, and I might as well come out with it here and now.

In brief, in 12 days in January 1983, a half dozen people in Washington put in place a revenue stream that is just beginning to flow and that, if we don't blow it, will put the Federal budget back in the black, pay off the privately held Government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more.

It all began on a Monday morning, Jan. 3. Bob Dole of Kansas had an Op-Ed article that insisted that things would soon be looking up for the Administration — there was a near-depression on — and that Congressional Republicans were behind him. Nothing special, save for one paragraph. Having said that the issues confronting them presented as much oppor-

tunity as peril, he went on:

"Social Security is a case in point. With 116 million workers supporting it and 36 million beneficiaries relying on it, Social Security overwhelms every other domestic priority. Through a combination of relatively modest steps, including some acceleration of already scheduled taxes and some reduction in the rate of future benefit increases, the system can be saved. When it is, much of the credit, rightfully, will belong to this President and his party."

Oh? Not 24 hours earlier the budget director, David A. Stockman, had foretold that the "most devastating bankruptcy in history," that of the Social Security Trust Funds, was only months away. Which wasn't so, but a lot of people believed him. What the columnist Sylvia Porter called "a scare campaign of vicious proportions" had been going on. The new breed of conservatives seemed to detest the program even more than the old breed. And the funds were going down, the result of an interval in the 1970's when prices ran ahead of wages so that cost-of-living adjustments were not being offset by increased payments into the funds.

A year or so earlier, the Senate majority leader, Howard H. Baker Jr., had put together a bipartisan National Commission on Social Security Reform. Mr. Dole and I were appointed. Alan Greenspan was made chairman. Months went by with no apparent movement from either side. Then, suddenly, this signal from Mr. Dole. He and Mr. Greenspan had come to understand that the system's problems really were temporary and that in the long term it could be made heroically solvent.

On the day I was sworn in for a second term, I went over to Mr. Dole, who happened to be on the Senate

floor. If he was as optimistic as his article suggested, shouldn't we make one last try? Two days later, he and I and Representative Barber B. Conable Jr. were secreted out to White House chief of staff James A. Baker 3d's house in northwest Washington. Negotiations began.

In time, we shifted our talks to Blair House (which was empty, owing to the chandelier incident), and on the night of Saturday, Jan. 15, we reached agreement on arrangements to save the system, which were promptly endorsed by the commission and the President.

Most of this story is now familiar. Here is what is not generally understood. Almost everyone involved knew — by then — that the Administration had got the nation's finances in terrible shape. Mr. Stockman, who joined our deliberations, has written about this in great detail. There would be \$200 billion budget deficits "as far as the eye could see." The national debt would triple in eight years.

A true inside story revealed by the Senator Who Knows!

And President Reagan was not going to do anything to prevent it.

And so we would. Until then, Social Security had been on a pay-as-you-go basis, with a little cushion to take care of economic downturns. We could have fluffed up that cushion and let it go at that. We decided instead on a radical change in policy. Henceforth, we would collect and save for the far future, and not just the next year. An immense reserve would begin to accumulate before beginning to run down about 2030. In the process, we would pay off the national debt.

We have now had four full calendar years of the new revenue base. The trustees have just reported, and I have just had the first oversight hearing. Here are the numbers. The Social Security Trust Funds are increasing at the rate of \$100,440,000 per day and rising.

The current reserve is approaching \$100 billion. Between now and the year 2000 it will grow to \$1.4 trillion. (As of 1987, the entire assets of private pension funds were about \$1.49 billion.) This revenue stream must be deposited with the Treasury. If at the end of the day the Treasury has more money on hand than it needs, it simply retires privately held debt.

This can sound arcane but isn't. Every week some millions of Treasury bonds and bills "mature" and are cashed in. At present, the Treasury "rolls over" the debt, issuing new bonds or bills to get the cash to pay off the old ones. But if it isn't short of cash it needn't do this. The national debt begins to shrink.

Our present deficit "path" takes us, in theory at least, to a zero deficit by 1993. If that happens, the revenue stream from Social Security will be sufficient to begin retiring debt by

It all started with a Dole article.

1994. As public debt declines, national savings increase.

By 2010 the Social Security reserve is projected to be nearly \$4.5 trillion. (\$4,460,800,000,000!) If we wanted to go all the way, we could probably have zero national debt by that time. For the first time, incidentally, since 1836 — when we were down to \$38,000.

We could of course blow the opportunity. We could start to "spend" the Social Security surplus rather than using it to retire debt, and so get rid of the deficit. (Which for practical purposes now consists almost entirely of debt service.) But surely we should "save" it, and thus put aside the fiscal mess of the 80's.

Our real economic problem is that we don't save enough. Of 24 members of the Organization for Economic Cooperation and Development, we rank 20th, followed by Iceland, and a few such. Yet, as one witness at our oversight hearings put it, by the next decade we could be "awash in capital." This is the one sure way — saving and investment — to make certain the Social Security funds are still ample when the baby boom retirees.

One further point. In the near term, the proportion of retired persons in the population will be quite stable: the depression babies. Today, there are 21 persons retired for every 100 of working age. This ratio stays flat through 2010. Claims on the funds will be steady.

There you have it. Hard to believe? Yes. But within our grasp.

All done in 12 days in January. □

Daniel Patrick Moynihan, Democrat of New York, is chairman of the Senate Finance Committee's subcommittee on Social Security and Family Policy.

Moynihan's plan makes Bush the tax ogre

By Donald Lambro
THE WASHINGTON TIMES

A Democratic proposal to reduce Social Security taxes is winning cheers from conservatives and business groups, but it has put President Bush in the risky position of opposing a politically appealing tax cut aimed at his middle-class support-

ers.

The proposal by New York Sen. Daniel Patrick Moynihan, which would cut the payroll tax by more than a percentage point, has spawned an internal political debate within the White House, according to administration officials.

It also has triggered some unusually harsh criticism of Mr. Bush

from some of his traditional supporters.

"This is a very dumb thing for the [administration] to be doing," said Kate O'Beirne, deputy director for domestic policy studies at the Heritage Foundation, which has enthusiastically endorsed the Moynihan tax cut. "Cutting the payroll tax is good politics and good policy. Working-

class Americans are clearly over-taxed."

There were even some within the administration, such as Housing and Urban Development Secretary Jack Kemp, who made it known yesterday that they support the idea of cutting the payroll tax to boost savings and

see TAXES, page A10

TAXES

From page A1

economic growth.

"[Budget Director Richard] Darman's position that he wants to keep the [Social Security] surplus buildup and opposes the tax cut is inconsistent with Jack's position," said a top Kemp aide. "He sees this as a burden on middle-income workers and small businesses."

Mr. Moynihan chairs the Senate Finance subcommittee on Social Security and is considered by groups representing the elderly to be one of the program's strongest supporters. He surprised his party's leadership and the administration when he unexpectedly announced late last month that he would introduce legislation to cut the payroll tax when Congress returns to business on Jan. 23.

The Social Security tax rate that funds the retirement portion of the program increased on Jan. 1 from 6.06 percent to 6.2 percent. Mr. Moynihan would repeal that increase retroactively and then cut the tax rate further to 5.1 percent by Jan. 1, 1991.

"This would be a \$55 billion tax cut for working people in 1991, and the amount would be greater in future years," Mr. Moynihan said in announcing the idea.

His proposal would benefit primarily working-class and middle-income taxpayers — the bedrock political constituencies that have

helped the Republicans win the White House in five out of the last six presidential elections.

Among other things, say economic and political analysts, it hands the Democrats a golden opportunity to appeal to traditionally Republican voters and at the same time turn the tables on the Bush administration by forcing it to oppose a popular tax-cutting idea.

"Poor George Bush," said Robert Shapiro, director of economic studies with the Progressive Policy Insti-

tupe, a Democratic think tank, and a close Moynihan adviser. "The White House decision to oppose the Moynihan tax cut makes him not only the president of no new taxes but of no new tax cuts."

Ironically, the strongest and most immediate support for Mr. Moynihan's proposal has come from an unholy alliance of liberal and conservative organizations, business groups and some GOP leaders in Congress.

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According to Mr. Shapiro, an enthusiastic supporter of the idea, "The Democrats have learned the lesson that the Republicans have taught them, that there is never a political cost to cutting taxes. I think the political temptation is too great for the Democrats to turn away from this."

The Moynihan proposal is flatly

opposed by Mr. Bush. Mr. Darman says the \$55 billion in lost Social Security revenue that the tax cut would cost in 1991 alone would balloon the deficit and lead to renewed Democratic pressure to raise the top income tax rates.

Mr. Moynihan has yet to say how he will offset this revenue loss, whether through spending cuts or tax increases elsewhere.

White House Chief of Staff John Sununu said earlier this week that the administration was against cut-

ting the payroll tax until the deficit was eliminated. Mr. Bush is expected to propose an alternative plan in his forthcoming budget to gradually reduce the national debt by using the accumulated Social Security surpluses.

Nevertheless, aides to the president said yesterday that Mr. Moynihan's proposal has been getting long and serious scrutiny.

"There's been a lot of debate over it, pro and con," said one Bush adviser. "This is a very clever political move by Moynihan, but we don't think it's going to hurt us politically."

Ironically, the strongest and most immediate support for Mr. Moynihan's proposal has come from an unholy alliance of liberal and conservative organizations, business groups and some GOP leaders in Congress. In addition to Heritage's endorsement, the proposal has won favorable reactions from the libertarian Cato Institute, the National Taxpayers Union, the National Federation of Independent Business and the U.S. Chamber of Commerce.

"It's a good idea," said David Boaz, executive vice president of the Cato Institute. The administration "ought to become an enthusiastic sponsor of it. Otherwise, they'll let the Democrats steal the most successful Republican issue."

Support on the left also has come from the Institute of Policy Studies, where public policy analyst Robert Borosage has called the idea "good economics, good public policy and good politics — the first protest of an increasingly hard-pressed middle class."

On Capitol Hill, Sen. Robert Kas-ten of Wisconsin, one of the leading Republican supply-side tax cutters, has indicated he would like to co-sponsor the measure. GOP support also has been voiced by House Minority Whip Newt Gingrich of Georgia and Rep. Henry Hyde of Illinois.

However, Democratic leaders have yet to reveal their positions, though Ed Lopez, Mr. Moynihan's chief Social Security aide, said the senator has been receiving support from Democratic offices "at the staff level" for the idea.

**REPORT OF THE
NATIONAL COMMISSION
ON
SOCIAL SECURITY
REFORM**

JANUARY 1983

SUPPLEMENTARY STATEMENT

BY

Commissioners Robert M. Ball, Martha Keys,
Lane Kirkland, Daniel Patrick Moynihan and Claude Pepper
(members selected by the Democratic leadership of the Congress)

Long-Term Financing and Issues of Special Concern to Women

Meeting the Remaining Long-Term Deficit

All of us supported the compromise agreement which is being recommended by a vote of 12 to 3 of the full Commission.^{1/} The agreement provides for fully meeting the Commission's short-term financing goal and also for meeting about two-thirds of the Commission's long-term goal--1.22% of payroll out of the 1.8% projected need.

We recommend that the remaining 0.58% of payroll deficit be met by providing additional revenues starting in the year 2010, in advance of the period when the bulk of the deficit is projected to occur. Sufficient additional revenues would be provided by an increase of less than one-half of 1% (0.46%) in deductions from workers' earnings beginning in 2010 and a like amount in employer payroll taxes (with an equal combined rate for the self-employed) or the revenue could be supplied by an equivalent general revenue contribution, or some combination of the two. For purposes of present legislation we would support putting in the law now an increase in the contribution rate beginning in 2010 of 0.46% of payroll (with the employee contribution offset by a refundable income tax credit) recognizing, of course, that in the next century the Congress may prefer to raise the money in some other way and that, in fact, such a rate increase would not be allowed to go into effect unless estimates at the time of the scheduled increase showed that it would be needed.

Benefit Cuts Under Pickle Plan

Percentage of Full Retirement Benefits*

Age at Retirement	Current Law	End of Stage One (2009)	End of Stage Two (2027)
62	80.0%	75.0%	70.0%
63	86.7	80.0	75.0
64	93.3	86.7	80.0
65	100.0	93.3	86.7
66	103.0	100.0	93.3
67	106.0	108.0	100.0

*Percentage of benefits available to a worker who retires at the normal retirement age.

tion for his long defense of the elderly, most would not give him their votes.

The Pickle amendment was approved by a 228-202 vote, with the backing of 152 Republicans and 76 Democrats, including Ways and Means Chairman Dan Rostenkowski, D-Ill., and a majority of committee members. (Vote 20, p. 530)

Pepper's measure, despite the backing of House Speaker Thomas P. O'Neill Jr., D-Mass., was rejected by a vote of 132-296. (Vote 21, p. 530)

"History is being written on this floor. We are changing the tradition of this country," O'Neill said when it was apparent the Pepper measure would fail. "In America, each generation has always paid for the generation that has gone before them."

The controversy over raising the retirement age or increasing taxes has been one of the major ones surrounding the Social Security crisis.

Pepper's impassioned plea to his colleagues not to cut benefits won him a standing ovation, but it was not enough to convince most members that the "structural" change of a higher retirement age was the best way to restore the confidence of current workers in the retirement system.

The Pickle amendment would raise the retirement age in two stages. The first would be a gradual increase from 65 to 66 over a six-year period ending in the year 2009. The second increase would be from 66 to 67 over another six-year period ending in the year 2027.

While individuals still would be able to take early retirement at age 62, their benefits would be reduced from the current 80 percent of full benefits to 70 percent in 2027. (Box, above)

Opponents seized on this change

and charged it would penalize the millions of workers who must retire early because of poor health or mandatory retirement.

"This amendment assumes people are able to work longer than they are now. This is just not the case," argued James M. Shannon, D-Mass. "This will simply cut their benefits."

But Pickle defended the age increase as necessary to keep up with changing demographics. He pointed out that life expectancy had increased more than 10 years since the 65-year retirement age was set in place over 40 years ago.

Raising the retirement age is "not harsh," he said. "That is just in keeping with the times."

Pickle's amendment also would require the Department of Health and Human Services to make recommendations by Jan. 1, 1986, on how Congress should deal with individuals who cannot retire later because of physically demanding jobs.

Those voting against passage of the bill included both liberals opposed to the higher retirement age and coverage of federal employees and conservatives opposed to additional taxes.

Senate Solution

The Finance Committee agreed to a broader package of changes to address the system's long-range problems.

The package, proposed by John Heinz, R-Pa., and adopted 13-4, called for a gradual increase in the retirement age from 65 to 66 over a 15-year period beginning in the year 2000.

It also would reduce initial benefits by 5 percent beginning the same year. Currently, workers receive an initial Social Security payment equal

to about 42 percent of their last paycheck. The package would reduce this "replacement rate" to 40 percent.

In addition, Heinz' amendment called for elimination of the current penalty imposed on beneficiaries who work after they reach retirement age, over a five-year period beginning in 1990. Now, benefits are reduced \$1 for every \$2 retirees up to age 70 earn over \$6,600 a year.

The package also would increase benefits for those who leave the work force to care for their children at home under age six. Currently, a worker's five lowest-earning, or non-earning, years are not counted when determining his or her initial Social Security benefit. The bill would allow two additional "drop-out" years for child care.

The committee rejected 15-2 a proposal by Daniel Patrick Moynihan, D-N.Y., to raise payroll taxes in the year 2010, in place of benefit cuts.

Other Finance Action

The committee also rejected 11-6 a motion by Russell B. Long, D-La., to delay the effective date of a provision calling for Social Security coverage of new federal employees until a supplemental Civil Service retirement plan could be established.

Members have given assurances that such a supplemental plan would be set up, but federal workers fear they face retirement benefit cuts if no new workers are available to pay into their current system.

Federal employee unions have waged an all-out campaign to defeat the coverage provision, but have met with little success so far. Finance Chairman Robert Dole, R-Kan., charged that a delay in the Jan. 1, 1984, effective date would only give lobbyists a longer time to fight for repeal.

Besides agreeing to the package of long-term provisions, the committee made several other changes in the House bill. One of the major ones was a proposal by Long to cut beneficiaries' cost-of-living checks, as a last resort, if reserves in the Social Security trust funds fall below a certain level because of unexpectedly bad economic conditions.

The provision would go into effect in 1985, but would be used only after all other emergency measures allowed in the bill — including borrowing between the system's three trust funds — had been exhausted.

The bill also would require the managers of the trust funds to give

six-months' notice that such a benefit cut might be necessary so that Congress would have the option to make other adjustments to the system before the COLA cuts were made.

The committee also agreed to:

- Include tax-exempt income when computing a beneficiary's income to determine if his or her Social Security benefits should be taxed. Both the House and Senate bills call for taxation of a portion of benefits for individuals whose adjusted gross income, plus 50 percent of Social Security benefits, exceeds \$25,000 (\$32,000 for married couples filing a joint return).

The proposal was offered by John H. Chafee, R-R.I., who argued that some beneficiaries might try to avoid the new tax by diverting their taxable income into tax-exempt income.

- Provide a more generous tax credit to offset higher taxes for the self-employed. The Finance Committee bill calls for a credit against self-employment taxes of 2.9 percent in 1984, 2.5 percent in 1985, 2.2 percent in 1986, 2.1 percent in 1987-89 and 2.3 percent after 1989.

The House bill calls for a credit of 2.1 percent in 1984, 1.8 percent in 1985-87 and 1.9 percent after 1987. Both measures would increase payroll taxes for the self-employed 33 percent, beginning in 1984, to equal the combined taxes now paid by employers and employees.

- Eliminate Social Security benefits for non-resident aliens, their dependents and survivors, except for payments equal to the amount the alien worker had paid into the system, plus interest.

- Expand Social Security coverage to include all new federal employees, members of Congress, the president and vice president. The House bill also would include top political appointees, certain elected officials and sitting federal judges.

- Exempt from Social Security coverage members of the Amish religious sect who work for Amish employers.

- Allow the three Social Security trust funds to borrow from each other through 1987, as long as no funds were borrowed from the Hospital Insurance (HI) trust fund, which finances Medicare, when its reserves were low.

- Eliminate Social Security benefits for imprisoned felons.

Jobless Benefits/SSI

The Finance Committee also agreed to a slightly less generous six-month extension of federal emergency

jobless benefits than the program adopted by the House. Existing emergency benefits, approved by Congress last year, are set to expire March 31. (*Background, Weekly Report p. 420*)

The Senate measure — expected to cost over \$2 billion — would allow up to eight more weeks of benefits to those individuals who have exhausted up to 55 weeks of federal and state benefits before April 1. The House bill would allow up to 10 more weeks.

In addition, individuals who do not qualify for the federal emergency benefits until after April 1 could receive up to 14 weeks of additional benefits depending on their state's jobless rate, under the Finance bill.

Those who have not exhausted their emergency benefits when the extension expires Sept. 30 could receive up to 50 percent of their remaining payments after the expiration date.

The Senate bill also would provide a plan to give certain hard-hit states some leeway in repaying interest owed on outstanding loans from the federal unemployment trust fund. Currently, states owe about \$12 billion to the fund, and many see little chance of being able to repay the loans, or make large interest payments, soon.

Under the plan, states would be allowed to spread their interest payments over a five-year period if they can show that they are taking steps to improve the solvency of their state unemployment compensation programs.

The committee also agreed to accept provisions in the House bill to increase monthly SSI benefits \$20 and to delay a scheduled SSI COLA six months until January 1985.

Medicare Provisions

The Senate bill's Medicare provisions are generally the same as those in the House measure, with differences in certain details. (*House bill, Weekly Report p. 455*)

For instance, both bills depart from the administration proposal by mandating that hospital admission patterns and other factors be reviewed to guard against costly manipulations of the new system, or poor care for patients. But the Senate measure specifies that Professional Review Organizations (PROs) authorized in the 1982 tax bill must do the job, while the House bill permits the use of other types of organizations. The Senate bill does not include a House provision authorizing severe penalties for certain violations of the system or compromised quality of care.

Both bills are based on the administration plan to provide for a system of set prices for inpatient treatment of different illnesses, and they prohibit charging individual patients more than the set price. Hospitals delivering care for less than the set price may keep the difference. This scheme would replace the existing system in which, within certain limits, hospitals are paid after delivery of care for the portion of their total costs attributable to Medicare patients.

The set prices would not include hospitals' teaching costs or capital expenditures for construction or major equipment; those costs would continue to be paid under the existing system. The Senate bill, however, mandates that capital costs be factored into the new price structure after October 1986. Many medical economists regard controls on capital expenditures to be an important step toward controlling inflation in health care costs.

Both bills substitute a four-year phase-in of the new payment method for the Oct. 1 effective date suggested by the administration. Both require separate rates for urban and rural hospitals, and for different regions of the country; the administration plan had called for a single, national schedule of rates with area adjustments only for labor costs. Both would give state cost control systems substantially more authority than the administration wanted to depart from the set-price payment method if they meet certain criteria.

Both bills require the secretary of health and human services to study and report to Congress on the feasibility of applying the new price system to physician services in the future. ■

CLARIFICATION

Medicare Payments. Weekly Report p. 457, col. 3, 2nd full paragraph. The Gephardt amendment permits hospitals to bill separately for services provided during hospitalization if the hospital billed separately for such services before Oct. 1, 1982. However, because the legislation (HR 1900) includes an overall prohibition against billing individual Medicare patients, separate billings under this provision would be allowed only to Part B of Medicare, the optional plan that covers physician fees. ■

The National Commission makes the following recommendations unanimously:

- (1) The members of the National Commission believe that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its fundamental principles.* The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need.**
- (2) The National Commission recommends that, for purposes of considering the short-range financial status of the OASDI Trust Funds, \$150-200 billion in either additional income or in decreased outgo (or a combination of both) should be provided for the OASDI Trust Funds in calendar years 1983-89.
- (3) The National Commission finds that, for purposes of considering the long-range financial status of the OASDI Trust Funds, its actuarial

* See additional views of Commissioner Archer in Chapter 4.

** See additional views (with regard to the last point) of Commissioners Archer, Fuller, and Waggoner in Chapter 4.

11/12

Leaders Optimistic:

Social Security Rescue Plan Rushes to Final Hill Accord

Setting partisanship aside, the full House and the Senate Finance Committee have given a Social Security rescue plan a quick push toward final passage.

The House March 9, by a 282-148 vote, passed a bill (HR 1900) to keep the system from going broke. The Finance Committee approved a similar measure (S 1) the following day by a vote of 18-1. (*House vote 23, p. 530*)

The legislation now goes to the Senate floor where debate is expected to begin March 15 or 16. Congressional leaders are optimistic about sending a package to President Reagan before the March 26 Easter break.

The votes in both houses heralded the end of nearly two years of bitter partisan bickering over Social Security. Members indicated they expected little trouble with the legislation before it reaches the president's desk.

Congress must complete action soon or the financially troubled retirement system will be unable to pay out some 36 million benefit checks in July.

The House and Finance Committee measures closely parallel the recommendations made in January by the president's National Commission on Social Security Reform. But they also include provisions dealing with the system's long-range problems — an area where the commission could not reach consensus — that appear to have dampened much of the conservative opposition to the commission plan. (*Commission recommendations, Weekly Report p. 155*)

These include steps in both bills to raise the retirement age. The House would raise the age gradually from 65 to 67 by the year 2027; the Senate Finance Committee approved a one-year increase by the year 2015, but it also agreed to cut initial benefits 5 percent after the turn of the century.

William L. Armstrong, R-Colo.,

—By Pamela Fessler
and Elizabeth Wehr

one of the biggest Senate opponents of the commission plan, praised the Finance Committee bill, although he said he still planned to offer some floor amendments.

He observed that quick action in both houses and adoption of the retirement-age increase had proved "the cynics are wrong. There are occasions when Congress will rally to the task and do what is politically hard."

Armstrong and other conservatives had criticized the commission's rescue plan because of its reliance on some large tax increases to keep the

all new federal employees and workers in non-profit organizations beginning Jan. 1, 1984, and would include all current and new members of Congress under the Social Security system.

In addition, both bills include a major revamping of the way the government reimburses hospitals under Medicare and a six-month extension of an emergency jobless benefit program. They also increase certain Supplemental Security Income (SSI) benefits for the aged, blind and disabled poor.

Pickle or Pepper?

Final House passage did not come without a sometimes emotional floor debate over the best way to solve the system's projected financial difficulties when the Baby Boom generation begins to retire in the next century.

The president's commission left

**"The cynics are wrong.
There are occasions when Congress
will rally to the task and
do what is politically hard."**

—Sen. William L. Armstrong, R-Colo.



system afloat. One critic, Steven D. Symms, R-Idaho, cast the one dissenting vote in the Finance Committee.

Both bills would raise about \$165 billion over the next seven years. They are expected to solve the retirement and disability system's financial problems well into the next century by raising a total of almost \$1.9 trillion over a 75-year period.

Besides increasing the retirement age, the two measures would raise scheduled payroll taxes over the next decade, delay the July cost-of-living allowance (COLA) six months and tax the Social Security benefits of high-income individuals for the first time.

They also call for the coverage of

that sensitive issue unresolved, and the House Ways and Means Committee bill called for a hybrid solution — cutting benefits and raising taxes — with the understanding that two substitute proposals would be considered on the floor. (*Weekly Report p. 453*)

Besides an amendment raising the retirement age — offered by Social Security Subcommittee Chairman J. J. Pickle, D-Texas — Rules Committee Chairman Claude Pepper, D-Fla., proposed a .53 percentage point increase in payroll taxes in the year 2010 to prevent a cut in benefits.

But House members showed during the debate that while they were willing to give Pepper their admira-

SD	SD	SD	KEY
ALABAMA Denton Y Hollin ?	IOWA Grassley Y Jensen Y	NEW HAMPSHIRE Humphrey Y Rudman Y	Y Voted for (yea). # Paired for. + Announced for. N Voted against (nay). X Paired against. - Announced against. P Voted "present". C Voted "present" to avoid possible conflict of interest. ? Did not vote or otherwise make a position known. Democrats Republicans
ALASKA Murkowski + Stevens Y	KANSAS Dole Y Kassebaum Y	NEW JERSEY Bradley Y Lautenberg Y	
ARIZONA Goldwater + DeConcini ?	KENTUCKY Ford Y Huddleston ?	NEW MEXICO Domenici Y Bingaman Y	
ARKANSAS Bumpers Y Pryor ?	LOUISIANA Johnston ? Long N	NEW YORK D'Amato Y Moynihan Y	
CALIFORNIA Wilson Y Cranston Y	MAINE Cohen Y Mitchell Y	NORTH CAROLINA East N Helms ?	
COLORADO Armstrong N Hart ?	MARYLAND Mathias ? Sarbanes ?	NORTH DAKOTA Andrews Y Burdick Y	
CONNECTICUT Weicker + Dodd Y	MASSACHUSETTS Kennedy ? Tsongas Y	OHIO Glenn Y Metzenbaum ?	TEXAS Tawes ? Bentsen ?
DELAWARE Roth ? Biden Y	MICHIGAN Levin Y Riegle Y	OKLAHOMA Nickles N Boren N	UTAH Garn N Hatch N
FLORIDA Hawkins Y Chiles ?	MINNESOTA Baechritz Y Durenberger Y	OREGON Hatfield ? Packwood ?	VERMONT Stafford ? Leahy Y
GEORGIA Mattingly N Nunn N	MISSISSIPPI Cochran Y Stennis Y	PENNSYLVANIA Heinz Y Specter Y	VIRGINIA Trible Y Warner Y
HAWAII Inouye ? Manumaga Y	MISSOURI Danforth Y Eagleton ?	RHODE ISLAND Chafee Y Pell +	WASHINGTON Gorton Y Jackson Y
IDAHO McClure N Symms N	MONTANA Baucus Y Meicher Y	SOUTH CAROLINA Thurmond Y Hollings N	WEST VIRGINIA Byrd Y Randolph Y
ILLINOIS Percy ? Dixon Y	NEBRASKA Eaton N Zorinsky N	SOUTH DAKOTA Abdnor Y Pressler ?	WISCONSIN Kasten Y Proxmire Y
INDIANA Lugar Y Quayle ?	NEVADA Hacht Y Laxalt ?	TENNESSEE Baker Y Sasser Y	WYOMING Simpson Y Wallop Y

ND - Northern Democrat SD - Southern Democrat (Southern states - Ala., Ark., Fla., Ga., Ky., La., Miss., N.C., Okla., S.C., Tenn., Texas, Va.)

54. HR 1900. Social Security Act Amendments. Adoption of the conference report on the bill to overhaul the Social Security system, to revamp the way the federal government reimburses hospitals for Medicare, to extend the federal supplemental unemployment benefit program for six months and to increase Supplemental Security Income benefits. Adopted (thus cleared for the president) 58-14: R 32-8; D 26-6 (ND 22-2, SD 4-4), in the session that began March 24, 1983. A "yea" was a vote supporting the president's position.

January 12, 1990

SELECTED PAST REMARKS BY SEN. MOYNIHAN ON SOCIAL SECURITY

Moynihan on Social Security and the the Greenspan Commission:

- o "'If it ain't broke, don't fix it,' is a commonsensical caution for people not content to leave well enough alone. I propose a corollary, one particularly suited to any discussion of the Social Security system; 'If it's fixed don't break it!'"[emphasis added]¹
- o "If we are to have another debate about changing the Social Security system, let us not lose sight of these facts: The program is secure; it is depended on; it is effective. The burden of proof falls upon those wishing to change things."²
- o "I submit to you that after 1985, social security will not contribute one cent to the Federal deficit -- in fact, it will be part of the solution."³
- o [The Social Security system is] "the most successful policy ever devised in our land."⁴
- o [The revenue stream resulting from the the Greenspan Commission's reforms] "will put the Federal budget back in the black, pay off the privately held government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more [emphasis added]."⁵

¹ Congressional Record, 7-31-84, E3378

² Congressional Record, 7-31-84, E3378

³ Congressional Record, 3-20-84, S2926.

⁴ "Moynihan Praises Social Security System," by Robin Greene, UPI, 12/31/88.

⁵ "Conspirators, Trillions, Limos in the Night," by Sen. Daniel Patrick Moynihan, New York Times, 5/23/88.

(more)

Background On Moynihan And The Greenspan Commission

- o As a member of the National Commission On Social Security Reform (The Greenspan Commission), which issued its report in January, 1983, Moynihan supported increases in the payroll tax that funds the retirement portion of the program -- increases to be phased-in over a seven year period. One of those increases, from 6.06 percent to 6.2 percent, just took place on January 1st. Moynihan seeks repeal of that increase, and a further cut in the rate to 5.1 percent by Jan. 1, 1991.⁶ In other words, Moynihan now wants to do away with the increases he favored in 1983.
- o In fact, Moynihan wanted the tax increases to be even higher. In a supplementary statement to the Greenspan Commission's Report, signed by Moynihan and four other members⁷, a proposal to further increase taxes read as follows:

"For purposes of present legislation we would support putting in the law now an increase in the contribution rate beginning in 2010 of $\%.046$ of payroll..."⁸ After the Greenspan Commission submitted its report, Moynihan tried his additional tax increase in the Senate Finance Committee, which voted 15-2 against Moynihan's proposal.⁹

- o The Greenspan Commission unanimously recommended, in the words of the report,

"that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its

⁶ "Moynihan's Plan Makes Bush the Tax Ogre," by Donald Lambro, Washington Times, 1/11/90.

⁷ The four other members were Lane Kirkland, Claude Pepper, Robert M. Ball, and Martha Keys. There were 15 members total on the Commission.

⁸ Report of the National Commission on Social Security Reform, (Washington, 1983).

⁹ "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

fundamental principles. The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need."[emphasis added]¹⁰

- o Both houses of Congress, in a remarkable show of unity, swiftly enacted the Greenspan Commission's recommendations, including the seven year phased-in payroll tax increase. A typical lead was from Congressional Quarterly: "Setting partisanship aside, the full House and the Senate Finance Committee have given a Social Security rescue plan a quick push toward final passage."¹¹

The vote in the House for the Greenspan reforms was 282-148, on March 9, 1983.¹² The Senate voted 58-14, on March 25th, 1983, with Moynihan voting Yea.¹³

ATTACHMENTS

¹⁰ Report of the National Commission on Social Security Reform (Washington, 1983)

¹¹ "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

¹² "Social Security Rescue Plan Rushes to Final Hill Accord," by Pamela Fessler and Elizabeth Wehr, Congressional Quarterly, 3/12/83.

¹³ 1983 CQ Almanac; CQ Senate Vote 54

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strategy for dealing with the Soviet Union. At very least, this strategy would require a coordinated response by NATO members to major Soviet challenges around the world. Such a strategy was possible during the first twenty years of the alliance's life, but détente in the last decade brought benefits to Europe that were not shared by America. Thus, most Europeans today believe that a working relationship can be maintained with the Soviet Union, while most Americans still see the Soviet Union as an aggressive power whose designs on Europe and other regions must be resisted. This difference in perception is dividing the alliance, and ultimately may threaten its viability.

A second issue for NATO is how to ease economic tensions that are sapping the alliance's strength. The U.S. is enjoying an economic recovery that is faster than Europe's. European leaders argue that the U.S. recovery is taking place at Europe's expense, and that high U.S. interest rates soak up money that could be invested in Europe's recovery. The U.S. and Europe are also engaged in several trade disputes that have serious implications for important economic sectors on both sides of the Atlantic. The strength of NATO depends on the combined economic strength of its members, and both the U.S. and Europe will have to make future economic decisions in view of their impact on the alliance.

How NATO should react to the challenge of events beyond the North Atlantic region is a third issue. The U.S. position is that NATO should fashion a coordinated response to such events. Washington believes that NATO has a duty to act when its security is at stake, and that European members should be ready to replace U.S. forces that might be moved from Europe in an emergency. The Europeans, however, are not keen on replacing U.S. troops, and they are especially reluctant to ready their own troops for combat abroad. They point out that U.S. and European interests may not coincide outside Europe, that some nations cannot legally use armed force outside their borders, and that Europe no longer has the resources necessary to project military force to distant points.

A final issue before NATO is how to improve its conventional military strength. This is a pressing concern because there is doubt whether NATO could counter an invasion by the Warsaw Pact without early, and probably cataclysmic, use of nuclear weapons. The Europeans know that their own homelands would be the first areas devastated in a nuclear exchange, so they and the U.S. have agreed on the need to upgrade conventional forces. There is disagreement, however, on the allocation of expense. The U.S. wants its allies to increase their defense budgets 3 percent annually, just as they said that they would do in 1978. The allies say that they will do their best to increase defense spending, but contend that their economic troubles may keep them from reaching the original goal.

How the burden of a stronger conventional defense should be shared is in fact one of NATO's knottiest problems. The U.S. spends more of its gross domestic product (6.5 percent in 1982) on defense than do its NATO allies (3.7 percent in 1982), and in 1983 the U.S. increased its defense spending by 7.6 percent while the allies raised theirs by only 2 percent. For their part, the allies point out that during the 1970s they increased their defense spending by 2 percent annually while U.S. military outlays fell by 1 percent per year. They note as well that they get more value for each dollar because their conscripted forces cost less than America's volunteer force. Burden-sharing also involves NATO's commitment to a more equi-

uitable balance in arms sales between the U.S. and the allies. At present, the U.S. enjoys a seven-to-one advantage in such sales within NATO. The allies recognize NATO's need for advanced weaponry, but they are afraid that a U.S. push for more of it will give American arms manufacturers an even larger share of NATO's markets. The cost of new weapons is high, and many Europeans doubt that they can afford them.

NATO's conventional strategy is also unsettled. Greater conventional strength based on advanced weaponry would decrease NATO's reliance on nuclear weapons, but also would enable NATO to strike deep into Warsaw Pact territory. The possibility that new weaponry might cause NATO to shift to an offensive strategy is extremely troubling to many in Europe, particularly in Germany.

These are the major issues that will dominate NATO's deliberations during the coming year. One of the important ways that the U.S. can contribute to resolving them is through arms control. Goodfaith efforts and meaningful negotiations with the Soviet Union can help close the rift between American and European perceptions, and can give our friends in Europe the political support that they need to make the case for increased defense spending and stronger conventional forces.

Other issues will surface, but if the alliance can handle these it will continue to provide an effective military shield behind which the nations of the West can prosper. The allies still appreciate the importance of NATO. So do many Americans. All parties, however, must be willing to accept the responsibilities and sacrifices necessary to keep the alliance healthy.

SOCIAL SECURITY DEPENDABLE

HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

Mr. VENTO. Mr. Speaker, recently an article by Senator DANIEL PATRICK MOYNIHAN concerning the current status of our Social Security System and its outlook for the future was published in the St. Paul Sunday Pioneer Press (July 15). Senator MOYNIHAN, who served as a member of the National Commission on Social Security Reform, observes that Congress' passage of the Social Security Act Amendments of 1983 insured the future stability of our Nation's basic social insurance program and notes that the Social Security Program has helped millions of older Americans avoid living in poverty. Senator MOYNIHAN's reasoned observations are especially timely in light of the recent remarks by President Reagan suggesting that young people will never be able to receive as much from this system as they are paying into it and that further (although unspecified) changes may be necessary.

President Reagan's comments are a disservice to the Nation and only serve to exacerbate unfounded fears and anxieties among young workers and older Americans. The President's statements and responses mislead young people when he suggests that there will not be a strong Social Secu-

rity System in the future to meet the needs of today's young people. For 50 years now, the American people have honored the social contract in which working people provide the financial security for older Americans and income security for those disabled. Irresponsible statements from President Reagan or others are geared to undermine the Social Security Program and generational contract. The real risk to the Social Security Program comes from the catastrophic events in our economy which has been subjected to the roller coaster ride of Reagan's "voodoo economics!" There is no sound reason to suggest that this social contract will not be honored for future generations as well as current retirees. The universal nature of the Social Security System has been and will continue to be the foundation of the System's strength, both for today's and tomorrow's beneficiaries.

(From St. Paul (MN) Sunday Pioneer Press, July 15, 1984)

SOCIAL SECURITY DEPENDABLE, DON'T TAMPER WITH IT NOW

(By Senator Daniel Patrick Moynihan)

"If it ain't broke, don't fix it," is a commonsensical caution for people not content to leave well enough alone. I propose a corollary, one particularly suited to any discussion of the Social Security system: "If it's fixed, don't break it!"

On Jan. 15, 1983, the National Commission on Social Security Reform, on which I served, agreed to a set of recommendations to put Social Security on a firm financial footing.

Our proposals became law three months later, and my optimism about their efficacy—expressed at the time—remains. On April 5 of this year, Donald T. Regan, treasury secretary, Raymond J. Donovan, labor secretary, and Margaret M. Heckler, health and human services secretary—the trustees of the Social Security funds—reported that the benefits provided "under these programs can be paid well into the next century."

During the commission's deliberations, Alan Greenspan, our chairman and former chairman of the president's Council of Economic Advisors, imposed a simple but crucial rule: Members were entitled to their own opinions, but not to their own facts. In deference to our chairman's rule, herewith some facts:

By next year, the revenues from Social Security taxes will match the costs of Social Security benefits. Indeed, we now expect revenue surpluses to begin in 1986 and build, according to Social Security's actuarial, to \$13.4 trillion by 2025 and \$18.4 trillion in 2045. Unless the economy takes a sudden nosedive and sharply erodes Social Security revenues within the next few years, the retirement and disability funding problems would seem to be behind us.

The universal social insurance system established in 1935 is central to the way we plan our lives.

Social Security is an undeniable success. The system has helped reduce poverty dramatically among the nation's elderly. In 1937, three years before the first check was distributed, two-thirds of all Americans 65 years or older had no means of support except help from friends and relatives or private charities. Today, more than 85 percent of all elderly citizens have incomes above the national poverty line.

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If we are to have another debate about changing the Social Security system, let us not lose sight of these facts: The program is secure; it is depended on; it is effective. The burden of proof falls upon those wishing to change things.

President Ronald Reagan recently remarked (once again): "There is a possibility—well, probability—that many people, young people now paying in, will never be able to receive as much as they're paying." In response, James M. Brown, a spokesman for the Social Security Administration, said that Social Security "is not just a retirement benefit. You are buying a package that also includes protection against disability and death. Nobody else offers a package like that." The president sometimes seems genuinely to misunderstand the system.

Few among us know what our financial condition will be in the future, and it is only wise to eliminate fear of economic calamity by making regular, and relatively small, premium payments throughout our working lives.

At its inception in 1935, Social Security provides benefits only for retirees, but eligibility has since been broadened. In 1939 before the first benefit was paid, retirees' dependents and survivors were accepted as beneficiaries. And under President Dwight Eisenhower in 1956, permanently and totally disabled workers began receiving Social Security checks. Today, some 25 million retired workers, almost 4 million disabled workers, and more than 7 million survivors receive Social Security benefits.

As with other types of insurance, of course, the lucky ones are those who do not need to collect. But it is nice to know it is there.

There is no little antagonism to the compulsory nature of Social Security. However, the system is trustworthy only if it's universal. If given the chance, how many people would have the time, knowledge, and, above all, capital to provide security for the future? And what of those who would try but fail? Stock go down sometimes, right?

The plain fact is that Social Security means that older persons in America do not depend on their children for support. This is a blessing beyond words. Not to the children, but to the parents who know they never will be a burden to the dearest persons in their lives.

Recently, Treasury Secretary Regan said the practice of paying benefits to those at the "upper end" of the economic scale should be re-examined. Well, why should well-off Americans receive an income supplement? Because depriving them of the benefits for which they have paid undermines the insurance principle of Social Security.

Would it be right or prudent to tell those whose homes burn down that they cannot collect fire insurance because they have resources sufficient to cover the losses? Of course not. Just so with Social Security.

Once we end the universal nature of the system, we inevitably weaken the universal nature of its political support.

Certainly, there are administrative changes that can improve Social Security Administration operations. Our commission recommended, and Congress approved, appointment by the president of two members of the public to the Social Security Board of Trustees. We can enhance public confidence in the system by increasing public involvement in its oversight. But these appointments have not been made.

It has been suggested that the agency be made an independent body (it is now within the Department of Health and Human Services). I agree with Robert Ball, the agency's former commissioner, who said this step

(which would not change the benefit structure) "would add significantly to the public understanding of the trustee character of Social Security as a retirement and group insurance plan."

Social Security has been a fixture in the United States for nearly a half-century. Yet after all this time and success, some are not reconciled to it. This is unfortunate. But it is a minority view, and it doesn't change the facts. Social Security is fixed in more ways than one. Don't break it.

[Senator Moynihan, of New York, is the ranking Democrat on the Senate Finance Committee's Social Security and Income Maintenance Programs subcommittee.—The Los Angeles Times]e

IN MEMORY OF FORMER CONGRESSMAN CHARLIE WILSON

HON. WILLIAM (BILL) CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

● Mr. CLAY. Mr. Speaker, a former colleague, Charles Wilson, passed away Saturday, July 21, 1984. I insert my message to his lovely wife, Bok, as a lasting tribute to a true friend:

DEAR BOK: You are not alone. All of Charlie's many friends share his loss with you. Carol and I count ourselves among his closest friends.

At a time like this, words are not adequate to convey the pain and emptiness we feel. Even constrained by our limited power of expression, we are compelled to verbalize the deep hurt we share with you—the loss of our dear and longtime friend, Charlie.

True friends are a rarity. Charlie was our true friend. When he laughed, we laughed. When he cried, we cried. When he rejoiced, we rejoiced. When he hurt, we hurt. When he died, a part of all mankind died.

Ernest Hemingway put it best when he wrote: "For Whom the Bell Tolls." He said, "No man is an island, entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friends or of thine own were; any man's death diminishes me, because I am involved in mankind; and therefore never seem to know for whom the bell tolls; it tolls for thee."

A longtime family commitment forced Carol and I to be in Connecticut, and we will be unable to see you for the next few days, however, we will call you when we return so that we can get together.

Sincerely,

BILL AND CAROL CLAY.e

SECTIONS 1 THROUGH 7 OF H.R. 1310

SPEECH OF

HON. SILVIO O. CONTE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 25, 1984

● Mr. CONTE. Mr. Speaker, I am glad to see that H.R. 1310, the math and science education bill, has returned to this floor for our consideration. And I am pleased to rise in support of this important measure.

Mr. Speaker, this initiative to strengthen mathematics and science education in this country is long overdue. Deficiencies in math and science curricula and equipment have serious injured the morale of this country's teachers and the capabilities of our students. The National Science Foundation [NSF] has reported that math and science teachers have had serious difficulty in obtaining information concerning new instructional materials, thereby hampering the Nation's efforts to improve curriculum. Additionally, the National Association of Secondary School Principals has reported that only 45 percent of all secondary schools possess some sort of science equipment. These are disturbing facts demonstrating serious, widespread problems in our country's ability to educate our children.

Fortunately, H.R. 1310 defines immediate Federal, State, and local roles for improving math and science education and teacher preparation. The bill provides incentives to encourage future generations of teachers to enter these fields, and to help improve the skills of current teachers. Additionally, the problems of student preparation and achievement are addressed by authorizing educational agencies and institutions to develop methods to improve, strengthen, expand, and modernize math and science education.

Moreover, H.R. 1310 addresses the serious problems of underrepresentation of women and minorities in these disciplines by requiring grant recipients to take concrete action to ensure equal educational opportunity. I strongly support this provision and salute the committee's continued efforts to improve opportunities for all Americans.

Mr. Speaker, in considering the bill before us today, however, I am concerned over one amendment added by the other body to provide funding for magnet schools which are part of an approved desegregation plan. My reservations about supporting this amendment stem from its heavy bias toward the larger school districts, while appearing to shun the smaller but equally needy districts. I understand from the colloquy on this debate, however, that the eligibility criteria set forth in the amendment do not preclude those smaller desegregating districts, and therefore I withdraw my reservations. Further I would hope that, this being the case, the Secretary will give close consideration to the needs of those smaller districts when considering awards under this program.e

others. I am proud to have the opportunity today to commend Mr. Michael Bongiovanni. ●

SOCIAL SECURITY

● Mr. MOYNIHAN. Mr. President, 1 year ago, the Senate began its consideration of H.R. 1900, the Social Security Act Amendments of 1983. At this benchmark, it is instructive to reflect on the reform legislation enacted last April.

I call my colleagues' attention to the recent report by the Committee for Economic Development, entitled "Social Security: From Crisis to Crisis?" CED, a private nonprofit, nonpartisan organization of business executives, has suggested that the 1983 amendments to the Social Security Act "provide very little margin of safety." It contends that, should economic and demographic trends be less favorable than assumed in the 1983 amendments, the system could face another financial crisis in this decade. The economic assumptions on which Congress relied for these amendments, it is claimed, "fall to cover a realistic range of possibilities" with respect to actual economic performance.

This simply is not the case. The National Commission on Social Security Reform, on which I served, based its recommendations on economic assumptions generally considered to be quite cautious. The intermediate assumptions were thought by some to be less favorable than our best estimates would have suggested, but we were wary of the perils of over optimism.

I submit for your attention, then, an editorial which appeared in the Washington Post on February 25, entitled "Social Security False Alarm," and a letter to the editor of the Washington Post written by Robert M. Ball and Robert J. Myers. These two pieces give an accurate first year report card on the Social Security Amendments of 1983, one that ought to be considered by all.

Mr. Ball, the distinguished former Commissioner of Social Security and a member of the National Commission, and Mr. Myers, the highly respected former Chief Actuary and Deputy Commissioner of Social Security who served as executive director of the Commission write that the economic assumptions used by the National Commission were—

Slightly on the pessimistic side (and currently economic conditions are more favorable. Moreover, even under the pessimistic assumptions, the financing of the system will be reasonably adequate in the 1980's, and it would take much more than a small unfavorable wiggle in basic trends to produce a financial crisis.

Mr. Ball and Mr. Myers make a second point of considerable importance:

The social security program, which will be part of the unified budget until 1992, will not be a part of the deficit, but rather will be part of its solution.

At a time when it has become fashionable to advocate cuts to run-away entitlement programs in order to reduce the deficit, we must recognize precisely how, or if, entitlement programs are contributing to the deficit. I submit to you that after 1985, social security will not contribute 1 cent to the Federal deficit—in fact, it will be part of the solution.

I hope that my colleagues will take the time to review these articles. There is no way to guarantee that social security will never need additional financing changes. But as the Post editorial concludes, "there is no sense in sounding a general alarm while sailing in untroubled waters." Mr. President, I request unanimous consent that the following articles from the Washington Post, "Social Security False Alarm" and "Social Security is in Good Shape" appear in the RECORD.

The articles follow:

[From The Washington Post, Feb. 25, 1984]

SOCIAL SECURITY FALSE ALARM

Less than a year ago Congress enacted a bipartisan reform program to put the Social Security retirement system on sound footing for the foreseeable future. Now comes a report from the Committee on Economic Development, a national business policy group, warning that Social Security may be in trouble before the end of the decade.

Before you pick up your pen to dash off a worried letter to the president or Congress, you should know that the CED's report is not based on any new analysis or insight. The projections it cites are taken from last year's report of the Social Security Trustees, and are essentially the same as those used by Congress and the bipartisan Social Security commission in framing the reforms put into law last March. True, things have changed somewhat since that time—but not in the way that the CED's report would suggest. They've gotten better.

The important thing to remember about last year's reforms is that, for once, they were not based on a rosy view of the future. The reform package was designed to see the Social Security trust funds through this decade under a very pessimistic economic forecast—unemployment remaining above 10 percent until 1985 and not dipping below 8 percent until almost the end of the decade, and wages barely outpacing inflation.

Of course, the economy is already much better than that. And, as the Congressional Budget Office's new projections show, even if the economy heads back into a recession a year or so from now, the trust funds should have sufficient reserves to make it through the tightest period before legislated tax increases begin to build up the funds later in the decade. And, if economic conditions become very bad, the law now contains a safeguard that keeps benefit cost-of-living adjustments from outpacing wages when trust fund reserves are low.

Beyond this decade, it's important to remember, the retirement trust fund is headed toward a period of surpluses. That's because the generation that will be retiring in the mid-1990s was born in the low-birth-rate years of the Depression, while the labor force, which pays Social Security taxes, will still be swollen by the baby-boom generation.

Sometime in the next century, when the baby-boomers reach retirement, the surpluses will disappear, as the CED warns. Howev-

er Congress' brave decision to go beyond the commission's recommendations and phase in a delay in the retirement age makes it less likely that drastic changes will then be needed. In the meantime, building up enormous reserves in the trust funds—which would offset deficits in other parts of the budget—would only discourage needed budget discipline.

There is no way to put a system as big and important as Social Security on automatic pilot for all time. But there is no sense in sounding a general alarm while sailing in untroubled waters.

[From the Washington Post, Feb. 10, 1984]

SOCIAL SECURITY IS IN GOOD SHAPE

(By Robert M. Ball and Robert J. Myers)

Hobart Rowen ["Social Security: It's Not So Secure," op-ed, Feb. 16] asserts that the Social Security system is once again likely to run into financial difficulties despite the reform legislation enacted last April. A large part of his conclusion is drawn from the recent report by the Committee for Economic Development entitled "Social Security: From Crisis to Crisis?"

We disagree strongly with Rowen's conclusions. We refer only to the Social Security program (Old-Age, Survivors and Disability Insurance—OASDI) and not to the Hospital Insurance portion of the Medicare program. The National Commission on Social Security Reform recognized, and we agree, that under present law Hospital Insurance has a serious financing problem some five or more years from now. It was not the assignment of the national commission to deal with this problem, but rather with the more immediate problem of the Social Security program.

Rowen claims that eventually Social Security and other entitlement programs will require further changes for two reasons: first, "to keep them financially healthy and, second, to help cut the dangerous federal deficits." We believe that it is highly probable that the Social Security system will be financially healthy over at least the next two decades. For the period 20 to 75 years after that for which estimates are traditionally made, we believe the estimates underlying the financing of the program are reasonable and even somewhat on the conservative side.

As to Rowen's second point, the Social Security program, which will be part of the unified budget until 1992, will not be a cause of the deficit, but rather will be part of its solution. This is so because, under any reasonable assumptions, income to the self-financed OASDI trust funds will exceed outgo during the near-future years and for a couple of decades thereafter. It would not seem reasonable to further help reduce the general federal deficits by cuts in the Social Security program which, in itself, is in a state of positive fiscal balance.

The CED report leaves the implication (which Rowen latches on to) that, if economic conditions are only slightly worse than the intermediate assumptions, the system will be insolvent before the end of the 1980s. This is not correct, because the intermediate assumptions are, we believe, slightly on the pessimistic side (and currently economic conditions are more favorable). Moreover, even under the pessimistic assumptions, the financing of the system will be reasonably adequate in the 1980s, and it would take much more than "a small unfavorable wiggle in basic trends" to produce a financial crisis.

This is not to say that there is no possible scenario that would cause the Social Security system to have short-term financing

problems. What it would take is something like double-digit unemployment, with wages rising no more rapidly than prices. This we believe to be very improbable.

Even under the pessimistic assumptions of the 1983 Trustees Report, the OASDI trust funds would have a balance of at least two months' outgo at all times in the 1980s, while under the intermediate assumptions this ratio would, desirably, build up and would amount to about five months' outgo at the beginning of 1990, and increase rapidly thereafter.

We see no reason to make changes in the benefit structure in order to provide an even wider margin of safety than now exists. •

STRENGTHENING AMERICAN EDUCATION

• **Mr. LAUTENBERG.** Mr. President, few issues have more importance to the future of our country than education. Our ability to compete in the international economy in years to come, our ability to continue as a nation of opportunity for all, and to advance together as a nation, is dependent on the education provided our young people.

Recent reports from the Commission on Excellence on Education and others highlight existing weaknesses in our educational programs. Indeed, the National Commission on Excellence in Education has likened the situation in American education today to unthinking, unilateral education disarmament.

If such an incident had been leveled at the defense establishment in this country, the cries of dismay from the White House and the Congress would have been loud and instantaneous.

Reaction to the harsh assessment of the Education Commission has been more temperate. Nevertheless, Mr. President, I, for one, must express my deep chargin over the state into which our educational system has fallen. As the Commission on Excellence report rightly notes, citizens look to educators and elected officials to provide leadership to reverse educational trends in our country.

Providing more money for education is by no means the only answer to difficulties in education today. However, approval of increased educational expenditures can give encouragement to educators doing their best under difficult circumstances in the Nation's classrooms. It can provide increased resources for existing programs that have proved their effectiveness. It can help initiate new programs.

This year I have been working in the Senate as part of a special working group on education set up by Minority Leader ROBERT BYRD. Our group will be seeking a consensus on the appropriate spending levels for education in the fiscal year 1985 budget. After allowing for inflation, the President's budget request is about \$5 billion below what education spending was 4 years ago. While we may not be able to make up this entire shortfall, I certainly think an increase over the President's proposed budget is needed.

I have introduced legislation to provide a Federal matching grant program for computer education and teacher training. I think that computer education can serve to enhance the teaching of more traditional academic and intellectual skills. Putting computers in classrooms will not be a solution for the problems in education. However, with careful planning, computers can provide a new tool for teaching writing, mathematics, social studies, and other courses, and analytical skills.

Reauthorization of the Vocational Education Act must be a top priority for 1984. Solid vocational training is important in preparing students for productive careers.

Another major unfinished item on the education agenda is legislation to improve math and science education. The House of Representatives passed a math and science bill last spring, but the Senate has not yet scheduled consideration of its version of the bill.

The present unhappy state of American education has not developed overnight, nor will it be improved immediately. But there must be a starting point on the road to recovery.

We must not fail our children by refusing to heed the harsh message of the Nation at Risk report. We owe them the bright promise of a good education. We owe their teachers our strong support. And we owe the Nation an adequate investment in our educational system if we hope to prosper and maintain U.S. leadership in the world economy. •

YEAR OF THE OCEAN

• **Mr. CHAFEE.** Mr. President, the ocean environment remains one of our country's most precious natural treasures. In order to encourage better understanding and appreciation of the need to preserve ocean and coastal resources, I am pleased to join Senator STEVENS as a cosponsor of Senate Joint Resolution 257, designating the 12-month period beginning July 1, 1984, as the "Year of the Ocean."

I represent the Ocean State. The sea figures prominently in Rhode Island's heritage. Narragansett Bay remains our preeminent natural, commercial, and recreational resource. Rhode Islanders cherish the ocean for its beauty, for its rich abundance of marine life, and for what it contributes to our State's economy.

Rhode Islanders are also keenly aware of the fragility of delicate ocean and coastal habitats. The problems posed by pollution, waste disposal, coastal development, and energy exploration constantly threaten the ocean environment and require action to preserve marine resources.

As we continue to exploit the wealth of the ocean, it is our responsibility to plan now for the prudent management of the marine environment. The University of Rhode Island's distinguished Graduate School of Oceanography is

making an important contribution to marine resource management through research and field services designed to promote the development, use, and conservation of ocean and coastal resources.

By designating the "Year of the Ocean" Congress can renew its commitment to addressing the problems which threaten the ocean and coastal zone. Passage of this resolution can enhance public awareness of our tremendous reliance upon marine resources, as well as the consequences of failing to manage them wisely.

The ocean is essential to the life of the world. The "Year of the Ocean" program can help us to focus on its importance in each of our lives. I hope my colleagues will join in supporting the passage of this resolution and promoting its observance. •

HONORING JACK DEMPSEY

• **Mr. D'AMATO.** Mr. President, I rise to ask this body to honor one of America's greatest sports legends, the late Jack Dempsey. A legend in the boxing ring as well as in everyday life, Jack Dempsey's rise to heavyweight champion made him an example of the American spirit throughout the "Golden Age of Sports," the 1920's.

Like other legendary sports figures of that era, such as Babe Ruth, Bobby Jones, and Johnny Weissmuller, Jack Dempsey's style and accomplishments in his sport were revolutionary. Dempsey's aggressive "bob and weave" style ended the era of standup defensive style boxing forever and turned boxing into a top drawing spectator sport.

Winning the heavyweight crown for the first time in 1919, Dempsey retained the title until 1926. But his loss did not affect his popularity with the American public. Jack Dempsey remained a hero because he found success in his failures, an accomplishment endearing to many people who viewed Dempsey's rise to champion as representative of the everyday battles of most ordinary Americans.

His life before becoming champion also adds to the legend his name carries. The son of an impoverished Midwestern family, a miner at 13, a veteran of hobo jungles at 19, and heavyweight champion of the world at 24, Jack Dempsey's struggle is a true symbol of the American dream.

His legend is further supported by his unflinching kindness outside of the ring. From his restaurant on Broadway, Jack Dempsey played the role of host to the city of New York, as well as of a gentle, charitable man, always willing to help the unfortunate and the needy.

Touted as the greatest fighter of the half century in 1950 and inducted into the Boxing Hall of Fame in 1954, Jack Dempsey is still remembered as one of the greatest fighters of all time. But his legend is incomplete without mention of his kindness out of the boxing

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BYLINE: By ROBIN GREENE

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Sen. Patrick Moynihan, D-N.Y., praised the Social Security system Saturday as "the most successful policy ever devised in our land" and then made a New Year plea on behalf of needy children in the United States.

Moynihan, who delivered the Democratic response to President Reagan's weekly radio address, got off an optimistic note by asking Americans to join him in "a special wish for President and Mrs. Reagan."

The New York senator noted that he and the president had been sparring with each other for the past eight years, saying "they've been fair fights from first to last" and admitting, "I'm going to miss them."

"Our first go-round had to do with Social Security," Moynihan said in praising the entitlement program.

"Without Social Security, almost half of the elderly would be poor today," he said. "With Social Security, Medicare and other government programs, the number of elderly poor has all but disappeared."

"Social Security is the most successful policy ever devised in our land," Moynihan said.

Citing a Census Bureau study released last week, Moynihan said: "I wish I could report that the ... study concluded the same for children. It did not. ... Government benefit programs hardly touch child poverty."

Moynihan said the study showed that "there are two kinds of children in America and they live in two kind of families."

The senator said children who live in two parent families will never be poor while children in single-parent families "will almost always be poor sooner or later."

"Their numbers are staggering," Moynihan said. "As many as one-third of our children live this way today. We've become the first industrial nation on earth in which children are the worst-off group."

Calling child poverty "the great challenge before us," Moynihan said: "If we get to work, it will really be a happy New Year."

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Conspirators, Trillions, Limos in the Night

By Daniel Patrick Moynihan

This appears to be the season for disclosing Washington secrets, and I don't see why only Republicans should be able to play. I've got a pretty good one. Secret messages concealed on the Op-Ed page of The New York Times. Whispered conversations on the Senate floor. White House limos hurtling through the wintry night to a house in northwest Washington. A bedroom — yup — on the second floor of the President's guest house, where nights earlier a visiting potentate would have been skewered by a plunging chandelier had he not been mysteriously otherwise engaged at the Watergate.

Huddled conspirators. Big bucks. Like, maybe, trillions?

Trouble is it was really on the up and up. And has a happy ending. So I don't suppose it would sell, and I might as well come out with it here and now.

In brief, in 12 days in January 1983, a half dozen people in Washington put in place a revenue stream that is just beginning to flow and that, if we don't blow it, will put the Federal budget back in the black, pay off the privately held Government debt, jump start the savings rate and guarantee the Social Security Trust Funds for a half century and more.

It all began on a Monday morning, Jan. 3. Bob Dole of Kansas had an Op-Ed article that insisted that things would soon be looking up for the Administration — there was a near-depression on — and that Congressional Republicans were behind him. Nothing special, save for one paragraph. Having said that the issues confronting them presented as much oppor-

Daniel Patrick Moynihan, Democrat of New York, is chairman of the Senate Finance Committee's subcommittee on Social Security and Family Policy.

tunity as peril, he went on:

"Social Security is a case in point. With 116 million workers supporting it and 36 million beneficiaries relying on it, Social Security overwhelms every other domestic priority. Through a combination of relatively modest steps, including some acceleration of already scheduled taxes and some reduction in the rate of future benefit increases, the system can be saved. When it is, much of the credit, rightfully, will belong to this President and his party."

Oh? Not 24 hours earlier the budget director, David A. Stockman, had foretold that the "most devastating bankruptcy in history," that of the Social Security Trust Funds, was only months away. Which wasn't so, but a lot of people believed him. What the columnist Sylvia Porter called "a scare campaign of vicious proportions" had been going on. The new breed of conservatives seemed to detest the program even more than the old breed. And the funds were going down, the result of an interval in the 1970's when prices ran ahead of wages so that cost-of-living adjustments were not being offset by increased payments into the funds.

A year or so earlier, the Senate majority leader, Howard H. Baker Jr., had put together a bipartisan National Commission on Social Security Reform. Mr. Dole and I were appointed. Alan Greenspan was made chairman. Months went by with no apparent movement from either side. Then, suddenly, this signal from Mr. Dole. He and Mr. Greenspan had come to understand that the system's problems really were temporary and that in the long term it could be made heroically solvent.

On the day I was sworn in for a second term, I went over to Mr. Dole, who happened to be on the Senate

floor. If he was as optimistic as his article suggested, shouldn't we make one last try? Two days later, he and I and Representative Barber B. Conable Jr. were secreted out to White House chief of staff James A. Baker 3d's house in northwest Washington. Negotiations began.

In time, we shifted our talks to Blair House (which was empty, owing to the chandelier incident), and on the night of Saturday, Jan. 15, we reached agreement on arrangements to save the system, which were promptly endorsed by the commission and the President.

Most of this story is now familiar. Here is what is not generally understood. Almost everyone involved knew — by then — that the Administration had got the nation's finances in terrible shape. Mr. Stockman, who joined our deliberations, has written about this in great detail. There would be \$200 billion budget deficits "as far as the eye could see." The national debt would triple in eight years.

A true inside story revealed by the Senator Who Knows!

And President Reagan was not going to do anything to prevent it.

And so we would. Until then, Social Security had been on a pay-as-you-go basis, with a little cushion to take care of economic downturns. We could have fluffed up that cushion and let it go at that. We decided instead on a radical change in policy. Henceforth, we would collect and save for the far future, and not just the next year. An immense reserve would begin to accumulate before beginning to run down about 2030. In the process, we would pay off the national debt.

We have now had four full calendar years of the new revenue base. The trustees have just reported, and I have just had the first oversight hearing. Here are the numbers. The Social Security Trust Funds are increasing at the rate of \$100,440,000 per day and rising.

The current reserve is approaching \$100 billion. Between now and the year 2000 it will grow to \$1.4 trillion. (As of 1987, the entire assets of private pension funds were about \$1.49 billion.) This revenue stream must be deposited with the Treasury. If at the end of the day the Treasury has more money on hand than it needs, it simply retires privately held debt.

This can sound arcane but isn't. Every week some millions of Treasury bonds and bills "mature" and are cashed in. At present, the Treasury "rolls over" the debt, issuing new bonds or bills to get the cash to pay off the old ones. But if it isn't short of cash it needn't do this. The national debt begins to shrink.

Our present deficit "path" takes us, in theory at least, to a zero deficit by 1993. If that happens, the revenue stream from Social Security will be sufficient to begin retiring debt by

It all started with a Dole article.

1994. As public debt declines, national savings increase.

By 2010 the Social Security reserve is projected to be nearly \$4.5 trillion. (\$4,460,000,000,000) If we wanted to go all the way, we could probably have zero national debt by that time. For the first time, incidentally, since 1838 — when we were down to \$38,000.

We could of course blow the opportunity. We could start to "spend" the Social Security surplus rather than using it to retire debt, and so get rid of the deficit. (Which for practical purposes now consists almost entirely of debt service.) But surely we should "save" it, and thus put aside the fiscal mess of the 80's.

Our real economic problem is that we don't save enough. Of 24 members of the Organization for Economic Cooperation and Development, we rank 20th, followed by Iceland, and a few such. Yet, as one witness at our oversight hearings put it, by the next decade we could be "awash in capital." This is the one sure way — saving and investment — to make certain the Social Security funds are still ample when the baby boom retirees.

One further point. In the near term, the proportion of retired persons in the population will be quite stable: the depression babies. Today, there are 21 persons retired for every 100 of working age. This ratio stays flat through 2010. Claims on the funds will be steady.

There you have it. Hard to believe? Yes. But within our grasp.

All done in 12 days in January. □

Moynihan's plan makes Bush the tax ogre

By Donald Lambro
THE WASHINGTON TIMES

A Democratic proposal to reduce Social Security taxes is winning cheers from conservatives and business groups, but it has put President Bush in the risky position of opposing a politically appealing tax cut aimed at his middle-class support-

ers.

The proposal by New York Sen. Daniel Patrick Moynihan, which would cut the payroll tax by more than a percentage point, has spawned an internal political debate within the White House, according to administration officials.

It also has triggered some unusually harsh criticism of Mr. Bush

from some of his traditional supporters.

"This is a very dumb thing for the [administration] to be doing," said Kate O'Beirne, deputy director for domestic policy studies at the Heritage Foundation, which has enthusiastically endorsed the Moynihan tax cut. "Cutting the payroll tax is good politics and good policy. Working-

class Americans are clearly over-taxed."

There were even some within the administration, such as Housing and Urban Development Secretary Jack Kemp, who made it known yesterday that they support the idea of cutting the payroll tax to boost savings and

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TAXES

From page A1

economic growth.

"[Budget Director Richard] Darman's position that he wants to keep the [Social Security] surplus buildup and opposes the tax cut is inconsistent with Jack's position," said a top Kemp aide. "He sees this as a burden on middle-income workers and small businesses."

Mr. Moynihan chairs the Senate Finance subcommittee on Social Security and is considered by groups representing the elderly to be one of the program's strongest supporters. He surprised his party's leadership and the administration when he unexpectedly announced late last month that he would introduce legislation to cut the payroll tax when Congress returns to business on Jan. 23.

The Social Security tax rate that funds the retirement portion of the program increased on Jan. 1 from 6.06 percent to 6.2 percent. Mr. Moynihan would repeal that increase retroactively and then cut the tax rate further to 5.1 percent by Jan. 1, 1991.

"This would be a \$55 billion tax cut for working people in 1991, and the amount would be greater in future years," Mr. Moynihan said in announcing the idea.

His proposal would benefit primarily working-class and middle-income taxpayers — the bedrock political constituencies that have

helped the Republicans win the White House in five out of the last six presidential elections.

Among other things, say economic and political analysts, it hands the Democrats a golden opportunity to appeal to traditionally Republican voters and at the same time turn the tables on the Bush administration by forcing it to oppose a popular tax-cutting idea.

"Poor George Bush," said Robert Shapiro, director of economic studies with the Progressive Policy Insti-

opposed by Mr. Bush. Mr. Darman says the \$55 billion in lost Social Security revenue that the tax cut would cost in 1991 alone would balloon the deficit and lead to renewed Democratic pressure to raise the top income tax rates.

Mr. Moynihan has yet to say how he will offset this revenue loss, whether through spending cuts or tax increases elsewhere.

White House Chief of Staff John Sununu said earlier this week that the administration was against cut-

Ironically, the strongest and most immediate support for Mr. Moynihan's proposal has come from an unholy alliance of liberal and conservative organizations, business groups and some GOP leaders in Congress.

tute, a Democratic think tank, and a close Moynihan adviser. "The White House decision to oppose the Moynihan tax cut makes him not only the president of no new taxes but of no new tax cuts."

According to Mr. Shapiro, an enthusiastic supporter of the idea, "The Democrats have learned the lesson that the Republicans have taught them, that there is never a political cost to cutting taxes. I think the political temptation is too great for the Democrats to turn away from this."

The Moynihan proposal is flatly

ting the payroll tax until the deficit was eliminated. Mr. Bush is expected to propose an alternative plan in his forthcoming budget to gradually reduce the national debt by using the accumulated Social Security surpluses.

Nevertheless, aides to the president said yesterday that Mr. Moynihan's proposal has been getting long and serious scrutiny.

"There's been a lot of debate over it, pro and con," said one Bush adviser. "This is a very clever political move by Moynihan, but we don't think it's going to hurt us politically."

Ironically, the strongest and most immediate support for Mr. Moynihan's proposal has come from an unholy alliance of liberal and conservative organizations, business groups and some GOP leaders in Congress. In addition to Heritage's endorsement, the proposal has won favorable reactions from the libertarian Cato Institute, the National Taxpayers Union, the National Federation of Independent Business and the U.S. Chamber of Commerce.

"It's a good idea," said David Boaz, executive vice president of the Cato Institute. The administration "ought to become an enthusiastic sponsor of it. Otherwise, they'll let the Democrats steal the most successful Republican issue."

Support on the left also has come from the Institute of Policy Studies, where public policy analyst Robert Borosage has called the idea "good economics, good public policy and good politics — the first protest of an increasingly hard-pressed middle class."

On Capitol Hill, Sen. Robert Kasten of Wisconsin, one of the leading Republican supply-side tax cutters, has indicated he would like to cosponsor the measure. GOP support also has been voiced by House Minority Whip Newt Gingrich of Georgia and Rep. Henry Hyde of Illinois.

However, Democratic leaders have yet to reveal their positions, though Ed Lopez, Mr. Moynihan's chief Social Security aide, said the senator has been receiving support from Democratic offices "at the staff level" for the idea.

**REPORT OF THE
NATIONAL COMMISSION
ON
SOCIAL SECURITY
REFORM**

JANUARY 1983



1/8

SUPPLEMENTARY STATEMENT

BY

Commissioners Robert M. Ball, Martha Keys,
Lane Kirkland, Daniel Patrick Moynihan and Claude Pepper
(members selected by the Democratic leadership of the Congress)

Long-Term Financing and Issues of Special Concern to Women

Meeting the Remaining Long-Term Deficit

All of us supported the compromise agreement which is being recommended by a vote of 12 to 3 of the full Commission.^{1/} The agreement provides for fully meeting the Commission's short-term financing goal and also for meeting about two-thirds of the Commission's long-term goal--1.22% of payroll out of the 1.8% projected need.

We recommend that the remaining 0.58% of payroll deficit be met by providing additional revenues starting in the year 2010, in advance of the period when the bulk of the deficit is projected to occur. Sufficient additional revenues would be provided by an increase of less than one-half of 1% (0.46%) in deductions from workers' earnings beginning in 2010 and a like amount in employer payroll taxes (with an equal combined rate for the self-employed) or the revenue could be supplied by an equivalent general revenue contribution, or some combination of the two. For purposes of present legislation we would support putting in the law now an increase in the contribution rate beginning in 2010 of 0.46% of payroll (with the employee contribution offset by a refundable income tax credit) recognizing, of course, that in the next century the Congress may prefer to raise the money in some other way and that, in fact, such a rate increase would not be allowed to go into effect unless estimates at the time of the scheduled increase showed that it would be needed.

Benefit Cuts Under Pickle Plan

Percentage of Full Retirement Benefits*

Age at Retirement	Current Law	End of Stage One (2009)	End of Stage Two (2027)
62	80.0%	75.0%	70.0%
63	86.7	80.0	75.0
64	93.3	86.7	80.0
65	100.0	93.3	86.7
66	103.0	100.0	93.3
67	106.0	108.0	100.0

*Percentage of benefits available to a worker who retires at the normal retirement age.

tion for his long defense of the elderly, most would not give him their votes.

The Pickle amendment was approved by a 228-202 vote, with the backing of 152 Republicans and 76 Democrats, including Ways and Means Chairman Dan Rostenkowski, D-Ill., and a majority of committee members. (Vote 20, p. 530)

Pepper's measure, despite the backing of House Speaker Thomas P. O'Neill Jr., D-Mass., was rejected by a vote of 132-296. (Vote 21, p. 530)

"History is being written on this floor. We are changing the tradition of this country," O'Neill said when it was apparent the Pepper measure would fail. "In America, each generation has always paid for the generation that has gone before them."

The controversy over raising the retirement age or increasing taxes has been one of the major ones surrounding the Social Security crisis.

Pepper's impassioned plea to his colleagues not to cut benefits won him a standing ovation, but it was not enough to convince most members that the "structural" change of a higher retirement age was the best way to restore the confidence of current workers in the retirement system.

The Pickle amendment would raise the retirement age in two stages. The first would be a gradual increase from 65 to 66 over a six-year period ending in the year 2009. The second increase would be from 66 to 67 over another six-year period ending in the year 2027.

While individuals still would be able to take early retirement at age 62, their benefits would be reduced from the current 80 percent of full benefits to 70 percent in 2027. (Box, above)

Opponents seized on this change

and charged it would penalize the millions of workers who must retire early because of poor health or mandatory retirement.

"This amendment assumes people are able to work longer than they are now. This is just not the case," argued James M. Shannon, D-Mass. "This will simply cut their benefits."

But Pickle defended the age increase as necessary to keep up with changing demographics. He pointed out that life expectancy had increased more than 10 years since the 65-year retirement age was set in place over 40 years ago.

Raising the retirement age is "not harsh," he said. "That is just in keeping with the times."

Pickle's amendment also would require the Department of Health and Human Services to make recommendations by Jan. 1, 1986, on how Congress should deal with individuals who cannot retire later because of physically demanding jobs.

Those voting against passage of the bill included both liberals opposed to the higher retirement age and coverage of federal employees and conservatives opposed to additional taxes.

Senate Solution

The Finance Committee agreed to a broader package of changes to address the system's long-range problems.

The package, proposed by John Heinz, R-Pa., and adopted 13-4, called for a gradual increase in the retirement age from 65 to 66 over a 15-year period beginning in the year 2000.

It also would reduce initial benefits by 5 percent beginning the same year. Currently, workers receive an initial Social Security payment equal

to about 42 percent of their last paycheck. The package would reduce this "replacement rate" to 40 percent.

In addition, Heinz' amendment called for elimination of the current penalty imposed on beneficiaries who work after they reach retirement age, over a five-year period beginning in 1990. Now, benefits are reduced \$1 for every \$2 retirees up to age 70 earn over \$6,600 a year.

The package also would increase benefits for those who leave the work force to care for their children at home under age six. Currently, a worker's five lowest-earning, or non-earning, years are not counted when determining his or her initial Social Security benefit. The bill would allow two additional "drop-out" years for child care.

The committee rejected 15-2 a proposal by Daniel Patrick Moynihan, D-N.Y., to raise payroll taxes in the year 2010, in place of benefit cuts.

Other Finance Action

The committee also rejected 11-6 a motion by Russell B. Long, D-La., to delay the effective date of a provision calling for Social Security coverage of new federal employees until a supplemental Civil Service retirement plan could be established.

Members have given assurances that such a supplemental plan would be set up, but federal workers fear they face retirement benefit cuts if no new workers are available to pay into their current system.

Federal employee unions have waged an all-out campaign to defeat the coverage provision, but have met with little success so far. Finance Chairman Robert Dole, R-Kan., charged that a delay in the Jan. 1, 1984, effective date would only give lobbyists a longer time to fight for repeal.

Besides agreeing to the package of long-term provisions, the committee made several other changes in the House bill. One of the major ones was a proposal by Long to cut beneficiaries' cost-of-living checks, as a last resort, if reserves in the Social Security trust funds fall below a certain level because of unexpectedly bad economic conditions.

The provision would go into effect in 1985, but would be used only after all other emergency measures allowed in the bill — including borrowing between the system's three trust funds — had been exhausted.

The bill also would require the managers of the trust funds to give

six-months' notice that such a benefit cut might be necessary so that Congress would have the option to make other adjustments to the system before the COLA cuts were made.

The committee also agreed to:

- Include tax-exempt income when computing a beneficiary's income to determine if his or her Social Security benefits should be taxed. Both the House and Senate bills call for taxation of a portion of benefits for individuals whose adjusted gross income, plus 50 percent of Social Security benefits, exceeds \$25,000 (\$32,000 for married couples filing a joint return).

The proposal was offered by John H. Chafee, R-R.I., who argued that some beneficiaries might try to avoid the new tax by diverting their taxable income into tax-exempt income.

- Provide a more generous tax credit to offset higher taxes for the self-employed. The Finance Committee bill calls for a credit against self-employment taxes of 2.9 percent in 1984, 2.5 percent in 1985, 2.2 percent in 1986, 2.1 percent in 1987-89 and 2.3 percent after 1989.

The House bill calls for a credit of 2.1 percent in 1984, 1.8 percent in 1985-87 and 1.9 percent after 1987. Both measures would increase payroll taxes for the self-employed 33 percent, beginning in 1984, to equal the combined taxes now paid by employers and employees.

- Eliminate Social Security benefits for non-resident aliens, their dependents and survivors, except for payments equal to the amount the alien worker had paid into the system, plus interest.

- Expand Social Security coverage to include all new federal employees, members of Congress, the president and vice president. The House bill also would include top political appointees, certain elected officials and sitting federal judges.

- Exempt from Social Security coverage members of the Amish religious sect who work for Amish employers.

- Allow the three Social Security trust funds to borrow from each other through 1987, as long as no funds were borrowed from the Hospital Insurance (HI) trust fund, which finances Medicare, when its reserves were low.

- Eliminate Social Security benefits for imprisoned felons.

Jobless Benefits/SSI

The Finance Committee also agreed to a slightly less generous six-month extension of federal emergency

jobless benefits than the program adopted by the House. Existing emergency benefits, approved by Congress last year, are set to expire March 31. (*Background, Weekly Report p. 420*)

The Senate measure — expected to cost over \$2 billion — would allow up to eight more weeks of benefits to those individuals who have exhausted up to 55 weeks of federal and state benefits before April 1. The House bill would allow up to 10 more weeks.

In addition, individuals who do not qualify for the federal emergency benefits until after April 1 could receive up to 14 weeks of additional benefits depending on their state's jobless rate, under the Finance bill.

Those who have not exhausted their emergency benefits when the extension expires Sept. 30 could receive up to 50 percent of their remaining payments after the expiration date.

The Senate bill also would provide a plan to give certain hard-hit states some leeway in repaying interest owed on outstanding loans from the federal unemployment trust fund. Currently, states owe about \$12 billion to the fund, and many see little chance of being able to repay the loans, or make large interest payments, soon.

Under the plan, states would be allowed to spread their interest payments over a five-year period if they can show that they are taking steps to improve the solvency of their state unemployment compensation programs.

The committee also agreed to accept provisions in the House bill to increase monthly SSI benefits \$20 and to delay a scheduled SSI COLA six months until January 1985.

Medicare Provisions

The Senate bill's Medicare provisions are generally the same as those in the House measure, with differences in certain details. (*House bill, Weekly Report p. 455*)

For instance, both bills depart from the administration proposal by mandating that hospital admission patterns and other factors be reviewed to guard against costly manipulations of the new system, or poor care for patients. But the Senate measure specifies that Professional Review Organizations (PROs) authorized in the 1982 tax bill must do the job, while the House bill permits the use of other types of organizations. The Senate bill does not include a House provision authorizing severe penalties for certain violations of the system or compromised quality of care.

Both bills are based on the administration plan to provide for a system of set prices for inpatient treatment of different illnesses, and they prohibit charging individual patients more than the set price. Hospitals delivering care for less than the set price may keep the difference. This scheme would replace the existing system in which, within certain limits, hospitals are paid after delivery of care for the portion of their total costs attributable to Medicare patients.

The set prices would not include hospitals' teaching costs or capital expenditures for construction or major equipment; those costs would continue to be paid under the existing system. The Senate bill, however, mandates that capital costs be factored into the new price structure after October 1986. Many medical economists regard controls on capital expenditures to be an important step toward controlling inflation in health care costs.

Both bills substitute a four-year phase-in of the new payment method for the Oct. 1 effective date suggested by the administration. Both require separate rates for urban and rural hospitals, and for different regions of the country; the administration plan had called for a single, national schedule of rates with area adjustments only for labor costs. Both would give state cost control systems substantially more authority than the administration wanted to depart from the set-price payment method if they meet certain criteria.

Both bills require the secretary of health and human services to study and report to Congress on the feasibility of applying the new price system to physician services in the future. ■

CLARIFICATION

Medicare Payments. Weekly Report p. 457, col. 3, 2nd full paragraph. The Gephardt amendment permits hospitals to bill separately for services provided during hospitalization if the hospital billed separately for such services before Oct. 1, 1982. However, because the legislation (HR 1900) includes an overall prohibition against billing individual Medicare patients, separate billings under this provision would be allowed only to Part B of Medicare, the optional plan that covers physician fees. ■

The National Commission makes the following recommendations unanimously:

- (1) The members of the National Commission believe that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its fundamental principles.* The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully-funded program, or to change it to a program under which benefits are conditioned on the showing of financial need.**
- (2) The National Commission recommends that, for purposes of considering the short-range financial status of the OASDI Trust Funds, \$150-200 billion in either additional income or in decreased outgo (or a combination of both) should be provided for the OASDI Trust Funds in calendar years 1983-89.
- (3) The National Commission finds that, for purposes of considering the long-range financial status of the OASDI Trust Funds, its actuarial

* See additional views of Commissioner Archer in Chapter 4.

** See additional views (with regard to the last point) of Commissioners Archer, Fuller, and Waggoner in Chapter 4.



11/12

Leaders Optimistic:

Social Security Rescue Plan Rushes to Final Hill Accord

Setting partisanship aside, the full House and the Senate Finance Committee have given a Social Security rescue plan a quick push toward final passage.

The House March 9, by a 282-148 vote, passed a bill (HR 1900) to keep the system from going broke. The Finance Committee approved a similar measure (S 1) the following day by a vote of 18-1. (*House vote 23, p. 530*)

The legislation now goes to the Senate floor where debate is expected to begin March 15 or 16. Congressional leaders are optimistic about sending a package to President Reagan before the March 26 Easter break.

The votes in both houses heralded the end of nearly two years of bitter partisan bickering over Social Security. Members indicated they expected little trouble with the legislation before it reaches the president's desk.

Congress must complete action soon or the financially troubled retirement system will be unable to pay out some 36 million benefit checks in July.

The House and Finance Committee measures closely parallel the recommendations made in January by the president's National Commission on Social Security Reform. But they also include provisions dealing with the system's long-range problems — an area where the commission could not reach consensus — that appear to have dampened much of the conservative opposition to the commission plan. (*Commission recommendations, Weekly Report p. 155*)

These include steps in both bills to raise the retirement age. The House would raise the age gradually from 65 to 67 by the year 2027; the Senate Finance Committee approved a one-year increase by the year 2015, but it also agreed to cut initial benefits 5 percent after the turn of the century.

William L. Armstrong, R-Colo.,

—By Pamela Fessler
and Elizabeth Wehr

one of the biggest Senate opponents of the commission plan, praised the Finance Committee bill, although he said he still planned to offer some floor amendments.

He observed that quick action in both houses and adoption of the retirement-age increase had proved "the cynics are wrong. There are occasions when Congress will rally to the task and do what is politically hard."

Armstrong and other conservatives had criticized the commission's rescue plan because of its reliance on some large tax increases to keep the

all new federal employees and workers in non-profit organizations beginning Jan. 1, 1984, and would include all current and new members of Congress under the Social Security system.

In addition, both bills include a major revamping of the way the government reimburses hospitals under Medicare and a six-month extension of an emergency jobless benefit program. They also increase certain Supplemental Security Income (SSI) benefits for the aged, blind and disabled poor.

Pickle or Pepper?

Final House passage did not come without a sometimes emotional floor debate over the best way to solve the system's projected financial difficulties when the Baby Boom generation begins to retire in the next century.

The president's commission left

*"The cynics are wrong.
There are occasions when Congress
will rally to the task and
do what is politically hard."*

—Sen. William L. Armstrong, R-Colo.



system afloat. One critic, Steven D. Symms, R-Idaho, cast the one dissenting vote in the Finance Committee.

Both bills would raise about \$165 billion over the next seven years. They are expected to solve the retirement and disability system's financial problems well into the next century by raising a total of almost \$1.9 trillion over a 75-year period.

Besides increasing the retirement age, the two measures would raise scheduled payroll taxes over the next decade, delay the July cost-of-living allowance (COLA) six months and tax the Social Security benefits of high-income individuals for the first time.

They also call for the coverage of

that sensitive issue unresolved, and the House Ways and Means Committee bill called for a hybrid solution — cutting benefits and raising taxes — with the understanding that two substitute proposals would be considered on the floor. (*Weekly Report p. 453*)

Besides an amendment raising the retirement age — offered by Social Security Subcommittee Chairman J. J. Pickle, D-Texas — Rules Committee Chairman Claude Pepper, D-Fla., proposed a .53 percentage point increase in payroll taxes in the year 2010 to prevent a cut in benefits.

But House members showed during the debate that while they were willing to give Pepper their admira-

54	54	54	KEY
ALABAMA Denton Y Heflin ?	IOWA Grassley Y Jensen Y	NEW HAMPSHIRE Humphrey Y Rudman Y	Y Voted for (yea). # Paired for. + Announced for. N Voted against (nay). X Paired against. - Announced against. P Voted "present". C Voted "present" to avoid possible conflict of interest. ? Did not vote or otherwise make a position known. Democrats Republicans
ALASKA Murkowski + Stevens Y	KANSAS Dole Y Kassabaum Y	NEW JERSEY Bradley Y Lautenberg Y	
ARIZONA Goldwater + DeConcini ?	KENTUCKY Ford Y Huddleston ?	NEW MEXICO Domenici Y Bingaman Y	
ARKANSAS Bumpers Y Pryor ?	LOUISIANA Johnston ? Long N	NEW YORK D'Amato Y Moynihan Y	
CALIFORNIA Wilson Y Cranston Y	MAINE Cohen Y Mitchell Y	NORTH CAROLINA East N Helms ?	
COLORADO Armstrong N Hart ?	MARYLAND Mathias ? Sarbanes ?	NORTH DAKOTA Andrews Y Burdick Y	
CONNECTICUT Weicker + Dodd Y	MASSACHUSETTS Kennedy ? Tsongas Y	OHIO Glenn Y Metzenbaum ?	TEXAS Tawes ? Bentsen ?
DELAWARE Roth ? Biden Y	MICHIGAN Levin Y Riegle Y	OKLAHOMA Nickles N Boren N	UTAH Garn N Hatch N
FLORIDA Hawkins Y Chiles ?	MINNESOTA Beachwitz Y Durenberger Y	OREGON Hatfield ? Packwood ?	VERMONT Stafford ? Leahy Y
GEORGIA Mattingly N Hann N	MISSISSIPPI Cochran Y Stennis Y	PENNSYLVANIA Harkin Y Specter Y	VIRGINIA Trible Y Warner Y
HAWAII Inouye ? Matsunaga Y	MISSOURI Danforth Y Eagleton ?	RHODE ISLAND Chafee Y Pell +	WASHINGTON Garten Y Jackson Y
IDaho McClure N Symms N	MONTANA Baucus Y Meeker Y	SOUTH CAROLINA Thurmond Y Hollings N	WEST VIRGINIA Byrd Y Randolph Y
ILLINOIS Percy ? Dixon Y	NEBRASKA Eaton N Zorinsky N	SOUTH DAKOTA Abdnar Y Pressler ?	WISCONSIN Kasten Y Proxmire Y
INDIANA Lugar Y Quayle ?	NEVADA Hoch Y Laxalt ?	TENNESSEE Baker Y Sasser Y	WYOMING Simpson Y Wallop Y

ND - Northern Democrats SD - Southern Democrats (Southern states - Ala., Ark., Fla., Ga., Ky., La., Miss., N.C., Okla., S.C., Tenn., Texas, Va.)

54. HR 1900. Social Security Act Amendments. Adoption of the conference report on the bill to overhaul the Social Security system, to revamp the way the federal government reimburses hospitals for Medicare, to extend the federal supplemental unemployment benefit program for six months and to increase Supplemental Security Income benefits. Adopted (thus cleared for the president) 58-14: R 32-8; D 26-6 (ND 22-2, SD 4-4), in the session that began March 24, 1983. A "yea" was a vote supporting the president's position.

Don't Touch Those Social Security Funds

To the Editor: 30/104/309

A Princeton economist recently wrote that the secret is out concerning the surpluses in the Social Security trust funds. Indeed it is, and so I fear are assorted entrepreneurs with schemes for getting their hands on some portion thereof!

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