

there may have to be a one-half of one percent increase in the tax for Social Security on employers and employees, and some type of gradual increase in retirement age, worked out with the senior groups. If we were to raise the retirement age by one month a year for twelve years, over that period the retirement age would be raised by one year, and save billions of dollars for the retirement fund.

Also, Medicare will face serious shortfalls in only a few years. Here I favor changes now. For example, why shouldn't everyone with an income of over \$100,000 a year pay for his or her own physician's fees? Hospital coverage and other features could remain the same. That one change would save billions of dollars.

Do Senators like Kent Conrad and Byron Dorgan of North Dakota have no valid point of concern?

They do. Since 1969 the federal government has included Social Security surpluses in our budgets so that the deficits would not look so bad. I have joined Sen. Fritz Hollings of South Carolina in trying to stop that practice, but administrations of both parties like to make their budgets look better.

During the evening negotiations on the Balanced Budget Amendment on the night the vote was first scheduled, Sen. Conrad was able to get an agreement to gradually move away from this practice, but he finally rejected the offer. One of my colleagues in the Senate told me, "Sen. Conrad was on the verge of a great victory for the Social Security cause and for sensible budgeting, but he blew it." I believe that judgment is premature. It is still possible that something can be worked out.

For the sake of Social Security recipients, and for the sake of the future of our country, I hope something will be. ●

#### THE UNITED STATES-NORTH KOREA AGREED FRAMEWORK

● Mr. THOMAS. Mr. President, as the chairman of the Senate Subcommittee on East Asian and Pacific Affairs I come to the floor of the Senate this afternoon to briefly respond to certain statements made yesterday by representatives of the Government of the Democratic People's Republic of Korea regarding the agreed framework between our two countries governing the Democratic People's Republic of Korea's nuclear program.

North Korea has, for the second time in a month, again threatened to scuttle the agreement by making ludicrous take-it-or-leave-it demands. This time, it refuses to accept delivery from the Republic of Korea of two light-water reactors called for under the framework. The Democratic People's Republic of Korea's Foreign Ministry issued a statement in Switzerland stating that if the United States does not agree to another country furnishing the reactors, "because of the United States' attitude in insisting on supplying the South Korea type, we will be forced to take an appropriate position." The statement continued, "Even if that brings about the breakdown of the framework agreement \* \* \* we will have nothing to lose but fear."

Mr. President, I—and, I am sure, my colleagues—grow weary of the continual 11th hour posturing and brinkmanship which seems to be the mainstay of

the North's negotiating strategy. In a speech in the Senate on February 13, 1995, I made clear my position:

I will not support the provision by the United States of one scintilla more than is called for in the Agreed Framework without substantial concessions from the DPRK; nor will I accept any diminution of the central role that has been set out for the ROK. South Korea is making a huge contribution to implementing the agreement, and it is their national interest that is most at stake. To accede to any demands by the DPRK in this regard is to assist it in its ongoing attempts to undermine US-ROK relationship.

This apparently bears repeating to drive it home to the North. If the Democratic People's Republic of Korea thinks that we will capitulate on the reactor issue, it is seriously mistaken. To put it into words that the Government in Pyongyang cannot mistake, its wish for reactors manufactured elsewhere is like a hungry man looking at "keurim eui teok i da," rice cakes in a picture. The North Koreans need to know, clearly and unequivocally, that on this point the Congress and administration are in complete and unwavering agreement; there is no acceptable alternative. We will stand by our position, stand by our principles, and most importantly stand by our important ally South Korea. If Pyongyang chooses to abandon the agreement, then so be it, we will quickly find ourselves back at the U.N. Security Council where the Democratic People's Republic of Korea will find itself the subject of tough economic sanctions.

Mr. President, next week at my behest the members of the Foreign Relations Committee will meet with Ambassador Galucci. I look forward to that meeting both as an opportunity to hear first hand about these latest developments, and as a chance to reiterate my position for the administration. ●

#### STUDENT LOAN CONFLICTS OF INTEREST

● Mr. SIMON. Mr. President, my colleagues from Massachusetts, Senator KENNEDY, yesterday recited a long list of items where the new Congress has declared war on working Americans.

One item that he mentioned is the attack on student financial aid: 75 percent of all college student aid comes from the Federal Government, much of that in the form of loans. The only significant Federal student aid subsidy that reaches middle-class families is the Federal payment of interest while students are in school. Now, it seems that this benefit is in danger in the House of Representatives.

Mr. President, I have argued that as far as student aid is concerned, we should not be balancing the budget on the backs of students while banks and middlemen continue to receive excessive subsidies in the Student Loan Program.

Two weeks ago, a letter I wrote to the Washington Post made the point that the Guaranteed Student Loan

Program is not the private sector system that its proponents would have us believe it is, and that it is riddled with dangerous conflicts of interest.

In a response that appeared in yesterday's Washington Post, Roy Nicholson, the chairman of USA Group, charges me with vilifying and "attempt[ing] to silence" him, while ignoring "the substance of the debate" on student loans.

Ironically, Nicholson does not respond to the substance of the inspector general's concern, raised in my letter, that "billions of dollars of the Nation's [student loan] portfolio are at risk because many guaranty agencies \* \* \* have a clear conflict of interest."

Mr. President, I ask that the two letters and the inspector general report be printed in the RECORD at the conclusion of my remarks.

Guaranty agencies like USA Group are supposed to act as bank regulators on behalf of the U.S. Government. Since banks have little financial incentive to put serious effort into collecting payments on Government-backed student loans, it is the guarantors' responsibility to ensure that—before taxpayers reimburse banks for a default—the bank actually did try to collect.

But what if, as in the case of USA Group, the guarantor works not just for the Government, but for the banks, too? Clearly, this is a case of the shepherd moonlighting for the wolf. The inspector general provides a number of examples of how these arrangements put taxpayer dollars at great risk.

Last year, a specific incident involving USA Group made this conflict painfully clear. In an effort to address the default problem, Congress 2 years ago directed the Education Department to oversee the loan collectors. But last June, when the Department tried to implement the new rules—something that guarantors, as protectors of the taxpayers, should support—USA Group sued to stop the rules, arguing that it was not fair to them as contractors for the banks.

The student loan industry has decided that the only way to keep their entitlements in the face of President Clinton's money-saving reforms to the Student Loan Program is to portray the reforms as big Government, in contrast to the current private sector system.

Don't be fooled. It is not a private sector system when the Government takes virtually all the risk of default through entities it backs with the full faith and credit of the United States.

Mr. President, taking a closer look at what is really going on in the Guaranteed Student Loan Program is not "the politics of vilification" or an "attempt to silence." It is what the substance of the debate should be. It should come as no surprise to my colleagues that people do try to take advantage of Federal programs. I do not consider it out-of-bounds to describe the structures and perverse incentives that lead to abuse.