To show you what a good job they did, what has happened between then and now is exactly what they calculated would happen. As the gentleman from Maryland [Mr. HOYER] said, we have a system that is financially solvent and, in fact, last year there was a $60 billion reduction in the unfunded liability. In fact, $63 billion was paid into the system, $36 billion was paid out, exactly what was calculated would happen.

It is working. It is exactly what was anticipated. The Federal employees are doing their part, and their employer, the Federal Government is doing its part.

In fact, if any change should be made, we should recognize that the static system that they based it upon has actually not required as much funding as they estimated. It has gone down from about 12 percent of payroll down to about 10 percent. The dynamic system, taking into account all the changes that could occur, actually went down from 36 to 25 percent.

□ 1715

So, if we should make any change, that change should be to reduce Federal employees' contributions. But what are we doing? We are being driven by other political considerations. We are choosing one group of only 2 million people to take money from them to pay for tax cuts for a larger group of people. I personally do not think this tax cut is in the Nation's best interests.

But I will tell the Speaker and anyone that is listening that they should not be complicit in this unfairness, this violation, this breach of the kind of integrity that this institution has established over 200 years. To think that we would make a commitment to all those Federal employees, upon which they based their decision, and now we would violate it? I cannot believe that that could happen or that our leaders are even considering that.

We ought to consider, Mr. Speaker, that we are not just talking about the Federal employees themselves. We are talking about their families because that is what retirement is all about. Mr. Speaker, you do not contribute to a retirement system for your own interests, nor does the gentleman from Maryland [Mr. HOYER], nor does anybody in the room today. The reason we contribute to a retirement system is to ensure there will be financial security for our spouses, for our children. That is our commitment to them. That is the commitment that Federal employees make to their families. And now to think that these retirement plans that have influenced the direction that their lives have taken, that have influenced their decision to stay in the Federal Government based upon a commitment we made, would be breached; we cannot allow this to happen.

Mr. Speaker, I thank my good friend from Maryland for yielding me the time, and I thank him for taking the time to make our case before the American people.

Mr. HOYER. I thank my good friend from Virginia, and I would close now, Mr. Speaker. Many of the Members of this body talk about the Contract With America. I think it has been an important document in the sense that it has set an agenda. Obviously some of it I do not agree with; some I have agreed with. But, as we have a Contract With America in terms of some of us having signed a document and said, if we are elected, this is what we are going to do, it seems to me as well we have a moral and ethical contract with those whom we ask to serve their country as Federal employees, as employees of this House, employees of the Federal service, and that contract essentially says that, if you work with us and if you perform well, we will do certain things. We will pay you a salary, we will automatically adjust that salary from time to time, and we will provide a retirement system for you, and we will give you health benefits.

Those are the three benefits that Federal employees have. There are no stock options obviously as there are not in public service, and although that is, perhaps, not a legally enforceable contract in the sense that our Federal employees, and our staff in this Chamber, and in this House and across the way in the Senate cannot take us to court and say, you know, we have worked for 5, or 10 or 15 years because you told us that this was the deal, this was the consideration, this is how you would treat us. Although they cannot take us to court, in my opinion that is amoral contract that we have with our people, and just as so many of your party, Mr. Speaker, have argued that we ought to keep the contract that we signed in September 1994, we ought to keep our contract with our employees, and if we make changes, it is fair to do so to those we hire anew and say this is the arrangement. We have changed it because we found it was too expensive, and so we are changing it, and so when you come on board, when you come on as an employee, understand there are new rules, and even for those who are not now vested in the system, who do not now have, in effect, a reason to say this is now mine, the 5-year vesting, we could say to them, look, you have not vested yet, and we are going to change, but for those folks who are vested in this system, it is unconscionable for us to now say we did not tell you the truth, we are going to change the rules, we are not going to meet our commitment to you, your compensation will be less than we promised.

I hope we do not do that, Mr. Speaker.

I had not intended to talk today on this issue, but Mr. MICA, one of his colleagues, took a special order to discuss this issue, and I wanted the full context of this issue to be discussed today because next week this issue will be on the front burner. I hope the Speaker of the House, Mr. GINGRICH, Mr. SOLOMON, the chairman of the Committee on Rules, and others, decide to take this out of the tax bill, to put it back to your committee, Mr. Speaker, have hearings, consider this, and take such action as we then deem appropriate.

NEUTRAL COST RECOVERY: FROM ADAM SMITH TO NICK SMITH

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under the previous order of the House, the gentleman from Michigan [Mr. SMITH] is recognized for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, next week we will be voting on the tax cuts promised to the American people under the Contract With America. While some would argue that now is not the time to cut taxes since we must balance the Federal budget, we should realize that an increase in the growth rate of the economy would in itself reduce the deficit, since it would increase revenues and reduce welfare spending.

Not all tax cuts are equal in terms of increasing the growth of the economy. Approximately 75 percent of the economic growth from our tax package comes from neutral cost recovery. Neutral cost recovery is a tax change to allow businesses to account for the wearing out of their machinery and buildings as they produce goods and services.

By reducing the cost of capital 16 percent, neutral cost recovery will increase the amount of machinery, equipment, and buildings that workers use. This will, in turn, raise everyone's wages and wealth. We have known for more than 200 years that the accumulation of capital is the key to economic growth. Here is what Adam Smith had to say about the subject in his ''The Wealth of Nations'' in 1776:

> Every increase or dimunition of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently. . .the real wealth and revenue of all its inhabitants.

Adam Smith was telling us that if a nation's capital increases, it will increase that nation's output of goods and services, the amount of employment, and the overall wealth and income of all of the country's inhabitants. He also explained how the real beneficiary of this process was the nation's poor. Adam Smith suggested we only need to look at the standard of living of any poor person living in a capitalist country and compare that standard of living to an upper income person in any non-capitalist economy. Would you rather be poor in the United States or rich in Uganda?

In 1949 the great economist, Ludwig von Mises, wrote that the reason that Western countries are ahead of the other parts of the world is because they have a system that encourages savings and capital investment.

Since 1949 our tax burden has been increasing, in particular the tax on capital. Over the last 20 years the United States has trailed our industrialized competitors in capital investment per worker, in part because other countries have more favorable tax policies towards capital.

We are getting exactly what von Mises predicted: if you don't encourage savings and capital investment then you lose your productivity and competitive position. Today, the United States is indeed trailing its international competitors in the growth of its production per worker.

Economists have estimated that neutral cost recovery will lead to the creation of 2.7 million new jobs, add an extra $3.5 trillion to our Nation's output over the next 5 years and by doing so add nearly $600 billion to Federal revenues. In passing neutral cost recovery we will secure an improved life for our children and grandchildren by leaving them with a greater stock of capital, more job opportunities, and a reduced Federal deficit. I urge my colleagues to lift the shackles that our tax code has placed on our economic growth and give our children and grandchildren the jobs that they deserve.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. STUPAK (at the request of Mr. GEPHARDT) for today, on account of death of an employee.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. FILNER) to revise and extend their remarks and include extraneous material:)

Ms. KAPTUR, for 5 minutes, today.
Mr. FILNER, for 5 minutes, today.
Mr. OWENS, for 5 minutes, today.
Mr. RUSH, for 5 minutes, today.
Mr. POSHARD, for 5 minutes, today.
Mr. OLVER, for 5 minutes, today.
Mrs. SCHROEDER, for 5 minutes, today.
Mr. MENENDEZ, for 5 minutes, today.
Mr. DOGGETT, for 5 minutes, today.
Ms. PELOSI, for 5 minutes, today.
Ms. DELAURO, for 5 minutes, today.
Mr. ABERCROMBIE, for 5 minutes, today.
Mr. VOLKMER, for 5 minutes, today.

(The following Members (at the request of Mr. GUTKNECHT) to revise and extend their remarks and include extraneous material:)

Mr. FOLEY, for 5 minutes, today.
Mr. MICA, for 5 minutes, today.
Mr. ENSIGN, for 5 minutes, today.
Mr. ENGLISH of Pennsylvania, for 5 minutes, today.
Mr. BAKER of California, for 5 minutes, today.
Mr. SCARBOROUGH, for 5 minutes, today.

(The following Members (at the request of Mr. VOLKMER) to revise and extend their remarks and include extraneous material:)

Mrs. MINK of Hawaii, for 5 minutes, today.
Mr. BRYANT of Texas, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. FROST, and to include extraneous material during debate on House Resolution 121.

(The following Members (at the request of Mr. FILNER) and to include extraneous material:)

Mr. ROMERO-BARCELÓ.
Mr. TRAFICANT.
Mr. KENNEDY of Rhode Island.
Mr. ORTIZ.
Mr. BARRETT of Wisconsin.
Mr. GIBBONS.
Mr. MATSUI.
Mr. BARCIA in two instances.
Mr. MILLER of California.
Mr. REED.
Mr. DINGELL.
Mr. MANTON.

(The following Members (at the request of Mr. GUTKNECHT) and to include extraneous material:)

Mr. DAVIS.
Mr. QUINN.

(The following Members (at the request of Mr. GUTKNECHT) and to include extraneous material:)

Mr. LAFALCE.
Mr. RANDALL.
Mr. RICHARDSON.
Mr. FRELINGHUYSEN.
Mr. FORBES.
Mr. FILNER.
Mr. ALLARD.
Mr. WARD.
Mrs. MINK of Hawaii.
Mr. YOUNG of Alaska.
Mr. GILMAN.
Mr. RUSH.
Mr. BLILEY.
Mr. ENGEL.
Mr. MOAKLEY.
Mr. OWENS.
Mrs. MEEK of Florida.
Mr. PACKARD.
Mr. EVERETT.
Ms. ESHOO.
Mrs. KENNELLY.

ADJOURNMENT

Mr. SMITH of Michigan. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 29 minutes p.m.), under its previous order, the House adjourned until Monday, April 3, 1995, at 12:30 p.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

649. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting notification of a proposed license for the export of major defense equipment and services sold commercially to Switzerland (Transmittal No. DTC–12–95), pursuant to 22 U.S.C. 2776(c); to the Committee on International Relations.

650. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting the Department's ''NDF Annual Report'' fiscal year 1994; to the Committee on International Relations.

651. A letter from the Director, National Gallery of Art, transmitting the annual report under the Federal Managers' Financial Integrity Act for fiscal year 1994, pursuant to 31 U.S.C. 3512(c)(3); to the Committee on Government Reform and Oversight.

652. A letter from the Director, National Oceanic and Atmospheric Administration, transmitting the Administration's 24th edition of the Grant-In-Aid for Fisheries Program Report, pursuant to 16 U.S.C. 757(a)—757(f) and 16 U.S.C. 4101 et seq.; to the Committee on Resources.

653. A letter from the Director, Federal Deposit Insurance Corporation, transmitting a listing of Federal Deposit Insurance Corporation property covered by the Coastal Barrier Improvement Act of 1990; jointly, to the Committees on Resources and Banking and Financial Services.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. WALKER: Committee on Science. H.R. 655. A bill to authorize the hydrogen research, development, and demonstration programs of the Department of Energy, and for other purposes; with amendments (Rept. 104–95). Referred to the Committee of the Whole House on the State of the Union.

Mr. CLINGER: Committee on Government Reform and Oversight. H.R. 1345. A bill to eliminate budget deficits and management inefficiencies in the government of the District of Columbia through the establishment of the District of Columbia Financial Responsibility and Management Assistance Authority, and for other purposes (Rept. 104–96). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. GILMAN (for himself, Mr. ENGEL, Ms. MOLINARI, Mr. ROHRABACHER, Mr. KING, and Mr. SMITH of New Jersey):

H.R. 1360. A bill to establish United States policy conditioning the lifting of sanctions against Serbia and Montenegro upon improvements in Kosova, and for other purposes; to the Committee on International Relations.

By Mr. COBLE (for himself, Mr. TRAFICANT, Mr. SHUSTER, and Mr. MINETA):