One of the flaws, in my judgment, of the 1983 fix was it said that we are going to raise taxes higher than what is necessary for the first time in the 50-year history of the program. The 1983 fix said, we are going to raise taxes higher than what is necessary to prefund the benefits of the baby-boom generation. Then we immediately—rather than setting it aside to be used for the baby-boom generation—we immediately begin to use it to pay for current expenditures.

Again, I am not arguing that Social Security contributes to the deficit. But I am prepared to argue that people who get paid by the hour, people whose wages are under $62,400 a year, which if you are looking for a definition of the middle class, you just as well said it there, because everybody over $62,400 does not pay that full 12.4 percent. You only pay it on the first $62,400. Anybody who is under $62,400, understand, you are shouldering more deficit reduction than those above because you are paying higher taxes on your payroll than needed to fund current benefits.

I do make the argument that the program needs to be changed sooner rather than later because we want to avoid the crisis, because you want to look out in the future and say that, whether you are a beneficiary who is 20 or 30 or 40, regardless of your age, whatever promise we have on the table we ought to be able to keep for everyone in perpetuity. Any insurance company has to do that, has to abide by that rule, and we should, as well.

To do that, Mr. President, what you need to do is change the funds, so you build it up to a level that keeps it stable and then keeps it there in perpetuity. Whatever payroll taxes are needed, whatever benefits we are promising to pay to future beneficiaries, you should be able to look and have the actuaries run the numbers and say, you have a stable fund, it will be there forever; the benefits that you promised to somebody 20, 30, 40, years ago, you will be able to keep those promises just as you said.

The implication given by Mr. Aaron, and I really do regret it, is that the financial managers in America are putting a lot of pressure on Congress to change this program so that it is privatized. First, Mr. Aaron, in this article, says one of the dirty little secrets about privatization is that it requires a tax increase, and nobody is making a proposal in partial privatization. That comes upfront with that. First, it does not require a tax increase in all cases; second, there is a proposal already. Senator Simpson and I introduced legislation that would allow Americans to take 2 percent of their payroll tax and use it, individualize their own wealth. It is fully funded. There is no tax increase in that.

I intend to send a copy to Mr. Aaron so he can evaluate it and determine whether he likes the proposal, or the next time he criticizes Congress or a general audience for not having a specific proposal, at least he can offer one exception.

Mr. President, I think the privatization argument itself is better framed, rather than, Are you for privatization or against it, better framed, Are you for the individualization of the account? By that I mean, under the proposal of Senator Simpson and myself, what we do is say there is still a collective payment, still a payment, although it is misdescribed by many people. We will promise to transfer from the wages of people who are working, a fixed payment, fixed tax on their wages, and transfer, in a very progressive way, to people who are retired. That will still be there. You will be eligible for early payment if you want it, or a regular payment, or a late payment.

The Chair advises the Senator the 10 minutes have expired.

Mr. KERREY. I end with 30 seconds, by merely saying the personal investment plan, as described by Senator Simpson and myself, is not privatization. It is fully funded. And it is, it seems to me, called for in a program which has not been changed fundamentally in 60 years.

I yield the floor.

ADJOURNMENT UNTIL 9:30 TOMORROW

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I yield the floor.

CONFIRMATION

Executive nomination confirmed by the Senate July 22, 1996.

EDMUND A. SARGUS, JR., OF OHIO, TO BE U.S. DISTRICT JUDGE FOR THE SOUTHERN DISTRICT OF OHIO.