Indian government, as well as the Punjab government, in keeping peace within Punjab. We should encourage American companies to take advantage of the opportunities that exist in Punjab.

Over the last 2 years, the citizens of Punjab have demonstrated their commitment to peace and democracy. I think it is time we put these problems in the past that existed in Punjab behind us. They are being addressed by the human rights commissions that are in place.

It is much more valuable for us to talk about what we can do as Americans to bring Punjab and India closer together with the United States, as I know so many of the people in this body, including our Members of the India Caucus, have strived to do.

☐ 1915

SAVING SOCIAL SECURITY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Michigan (Mr. SMITH) is recognized for 60 minutes.

Mr. SMITH of Michigan. Mr. Speaker, our Congressional Budget Office today made an announcement that they now predict that we will have a $8 billion surplus this fiscal year ending October 1. It gives me a great deal of concern that we are hoodwinking the American people on what a surplus really is.

If one looks at this chart, it shows what has happened between 1960 and 2000. You notice even in spite of the Washington claims that there will be a surplus, the national debt keeps going up and up and up. That is because the way Washington defines a surplus is all money in, and all money out. The Trust Fund surpluses are spent in Social Security. In fact all our Trust Fund surpluses are spent on other items, and they are used, in effect, to pretend that we have a balanced budget, when we really do not.

So while we are professing great accomplishments, that we are having a surplus of $8 billion this year, this is how much we are borrowing from Social Security.

The Social Security Trust Fund in 1998, total revenues in, $480 billion; total expenses, $382 billion. We are borrowing from the Social Security Trust Fund, the bottom line, $98 billion. So when they say we have a surplus of $8 billion, it says maybe we are only borrowing $90 billion from the Social Security Trust Fund.

This is the historical tables that the President sent over last month with his 5-year budget. If you would turn to page 111 on these historical tables, you would see that the President's budget, every year for the next 5 years, the national debt increases between $130 billion and $175 billion. That is because we are borrowing from the Social Security Trust Fund.

So on the one hand, we say that the money borrowed from the Social Security Trust Fund is part of the national debt. In fact, it is part of the debt subject to the debt limit that is set by Congress. But creatively, on the other hand, we say, well, this is a unified budget. Therefore, we are going to call what we borrow from the Social Security Trust Fund revenues, and, therefore, the budget is balanced.

I would suggest that the true test of a balanced budget is when the national debt stops going up.

Look at this next chart. Here is the problem that we are having now in Social Security. The little blue area on the top that goes from 1997 until the year 2011 is the surplus that is coming into the Social Security Trust Fund. That blue is the positive side that means that there is more Social Security taxes coming in than is required at the moment to pay out benefits, because Social Security is a pay-as-you-go program. That temporary surplus is what we are using to currently balance the budget.

But that goes away in 2011. It goes away because the cash revenues coming in to fund Social Security benefits are going to be run out, and the benefits are going to be greater than the dollars coming in from the Social Security taxes.

So you see what happens in the other year, and this really gets to the heart of the serious problem of Social Security. If you go way to the bottom right-hand side of the chart, you see we are going to have to borrow $400 billion or come up with $400 billion additional dollars every year to satisfy what we have now made promises to the retirees that are going to be getting Social Security benefits.

A huge problem on Social Security. I think we have to face up to it. The number one thing that the American people have got to start looking at, though, is the fact that Social Security has serious problems. Part of the reason, part of the reason they are having the problems for the future is that we are borrowing the surpluses today to spend for other programs, and we are borrowing those surpluses to pretend that we have a balanced budget, in fact a potential surplus this year and next year. The surplus projected by CBO next year is $9 billion. Next year we are going to be borrowing $100 billion from the Social Security Trust Fund. The following year, in the year 2000, I think the estimate is that the surplus is going down to $1 billion.

The fact is we need to acknowledge the fact that we are borrowing from the Social Security Trust Fund to balance the budget, to so-called balance the budget.

This next chart I think is interesting, because it starts looking at what the problems of Social Security are in this country. This chart shows the numbers. It is the demographics of what is going to be happening to us over the next several years. The number of seniors, the number of retirees is increasing dramatically, a 73 percent increase; 64 million seniors in this country, a 73 percent increase between now and the year 2025, where the working population is only going to be increasing 14 percent between now and that time. So you have an increasing number of seniors and a decreasing number of taxpayers that are paying into Social Security.

Let me just rego into history a little bit on how Social Security was started. Social Security was started in 1935. It was started as a pay-as-you-go program where existing workers pay in their taxes to cover the benefits of existing retirees. So no savings, no investment.

It worked very well in those early years, because in those early years, the average life span of an individual was 61 years. So most people never even lived long enough to collect any Social Security. So a system, a Ponzi game, a pay-as-you-go chain-letter-type structure like this, worked very well if people did not collect that Social Security.

But today, let me tell you what the average life span is today. Today the average life span, at birth, for a male, is 74 years old; for a female is 76 years old. But if you live long enough to start collecting Social Security, if you live to be 65, then on the average, you are going to live another 20 years. That is part of the problem. That is why the increase in seniors is going up so dramatically, and the increase in the people working and paying their taxes is going up modestly.

After World War II we had a high birth rate, those individuals called the baby-boomers, who are going to be retiring just about starting in about 2010, 2011, 2012. So these high-income people go out of the pay-in category and start collecting from Social Security and Medicare and other benefits. So they stop paying their taxes in. That is part of the reason that we really fall off in the year 2011, not having enough tax revenues as the senior population starts increasing.

By 1942, there were 40 people working, paying in their Social Security tax, for every single one retiree. Now, this chart shows that by 1950, that got down to 17 people working, paying in their taxes, for every retiree. Today it is three people working, paying in their taxes. The estimate is by 2027, there is just going to be two people working, paying in their taxes for each retiree. That is why it is so important, so critical, that we start facing up to this problem today, that we do not bury our heads in the stand, but we start acknowledging Social Security.

I compliment the President for at least saying, look, Social Security is a problem. We need to give it a priority. Let us make Social Security first. I say, yes, let us do it. Let us move ahead.

I talked to Ned Gramlich, who is from the University of Michigan. I am from Michigan. He headed the President's Task Force on Social Security. He spent 2 years. They could not agree on any single solution. They came up with three different solutions. However, what is interesting, every solution said that individual opportunity to invest some of that money as their own money is part of the solution. So you start changing it from a fixed benefit program to partially being a fixed contribution program.

And here is why every one of the three propositions that were put before us from that group included private investment as part of the solution. It is because over the last 90 years, the average return on index stocks has been 9 percent, 9 percent return. What do you think the average return for everybody that is under 55 years old is going to be today in Social Security? The Tax Foundation estimates that anybody that retires after the year 2000 is going to have between a negative 0.5 percent return and a negative 1.5 percent return. So Social Security as an investment is a very, very bad investment.

So if part of that money could go and be invested, you are still going to have to pay it, it is still going to go into the Social Security Administration, but like a 401K or like a Thrift Savings Plan, it will be an investment that is going to be the property of the individual worker.

Would it not be great for a change, we heard earlier this evening about the dilemma of people moving up and seeing and experiencing the creation of wealth. Part of the reason is this government and other governments are taking so much away from individuals in taxes. On the average now, 40 cents out of every dollar you earn goes in taxes. If you could reduce that a little bit, if we could allow workers the opportunity to invest some of that money into investments that are going to create wealth, where they could see the magic of compound interest, where their money is doubling every so many years, and, believe me, about the eighth doubling, the quadratic really increases, and you end up with really saying, gosh, this is a good idea, saving and investing.

That is why part of the solution has to be, in Social Security, an individual having that opportunity to take part of that Social Security tax and saving it and investing it and having the opportunity to see the creation of wealth.

The next chart represents what I think is what we have been trying to say in terms of what is happening to the number of seniors that will be increasing at 79 percent, and on the age 20 to 64, they only increase 20.6 percent, and then under age 20 goes up 4.7 percent. It is another way of describing the serious demographics that is really putting a challenge before the United States Congress and the President in terms of both Social Security and Medicare.

Since we created Social Security in 1935, every time we had a little extra money, we expanded the program and expanded benefits. In 1965, for example, we amended the Social Security Act to start the Medicare program in this country. Every time we were short of money, guess what we did? We increased taxes.

This chart shows how we have increased taxes. What I would like to point out is since 1971, Social Security taxes have gone up 36 times. I am going to say that again. Since 1971, we have increased Social Security taxes, the rate or the base, 36 times. More often than once a year we are increasing the taxes on working families in this country.

It is not a good way to go. We have got to make some changes, and I think the sooner we do it, the better.

Since we have increased taxes so much, if you look at the working population in this country, today 78 percent, this chart shows that 78 percent of working families now pay more in the FICA tax than they do in the income tax. So we are faced with a situation where taxes have been increased so often that 78 percent of all workers pay more in the FICA tax than they do in the income tax.

□ 1930

How are we are going to change it? What are we going to do? This, I think, is hopefully a heads-up, an awakening, to the young people in this country that should start demanding that this Congress and this White House do something to save Social Security for them. We are making them pay these huge amounts of taxes out of their pockets, and if we do not do something, they are never going to see any return from those taxes. That is the danger we are facing.

If we look at what happens in terms of the number of years that you are going to have to live after retirement to simply break even on what you and your employer put into Social Security, this chart shows, because it is a Ponzi game, shows that if you retire early, you can get all of your money back that you and your employer put into it in the first 2 years or 4 years; 16 years if you retired in 1995, and it goes up to 23 years that you are going to have to live after retirement if you retire in 2005. If you retire in 2015 you are going to have to live 26 years after you retire.

Another way of saying this is the statistics from the Tax Foundation that say you are going to get a negative ½ to a negative 1½ percent return on the amount of money you and your employer put in Social Security. Let us be perfectly clear whose money that is when the employer puts in half of that 12.4 percent. It is coming out of the employee's pocket.

I mean, if the employer was not willing to acknowledge that he was willing to pay this much to the employee and this much in taxes, that is what the employee is worth. So far as I am concerned, it is coming out of the pocket of the employee, that 6.2 percent that the employer pays in, for a total out of that employee's pocket now of 12.4 percent, just for Social Security. Then you add Medicare on top of that. Then you add your other income taxes and your excise taxes on top of that.

I think we need to start deciding just how much government we want in the United States, how much government are we willing to pay for, when 40 percent of the time you work, you work just to pay your taxes? Let us think of the possibility of getting all taxes down to 25 percent, at least, of what you make. Let us start looking at a more frugal Federal Government.

Of course, the Federal Government is the government that takes most of the tax money out of your pocket. This last chart that I have, that I think is optimistic in terms of what you can make if you are going to have an investment in the stock market, it is optimistic as far as the Social Security return. The Social Security Administration, on the bottom right-hand side, estimates that you can have had about a 1.7 percent return if you are lucky enough to be a white female that is going to have a longer period of years, so you are going to live over the 26 years after retirement, and you are going to make a return on the investment of approximately 1.7 percent.

However, if that same investment were put in the indexed stock market, you would be earning a return of approximately 8.5 percent. The middle blue line is the average real bond return, so even if you are investing in bonds, I am proposing in my bill, and I have introduced the only bill in the House that has been scored by the Social Security Administration that will have been scored to keep Social Security solvent.

In my proposal I am suggesting that we do not increase taxes, that we do not effect any reduction in benefits for those that are retired or those that are close to retirement, but we start taking some of that surplus money, and instead of spending it for other programs we take some of that surplus money that is now coming into Social Security and we start solving the problem by letting workers invest 2.5 percent of their taxable income. What would everybody do if they had the opportunity to invest 2.5 percent of their taxable income in safe investments? They would see the creation of wealth.

I think by taking this so-called surplus and investing it back into Social Security, by allowing workers to own some of that money so if they happened to die before they reached retirement age, it would be part of their estate; unlike Social Security, it would be what they own.

I am suggesting that with the opportunity to invest part of the money, and every year I increase the amount of money that would be allowed for personal investment, because as the trust fund expands, then what we are dealing with is more money available to increase the percentage of your Social

Security tax that you can privately invest, so it takes 50 years under my proposal, but you finally get to 10.4 percent out of the 12.4 percent that you could invest as your own investment.

I am suggesting that you can retire as early as you want to to have that kind of fixed contribution returns on your investment. You can take it out at 59½ years old, or whenever you have enough money to buy an annuity, just to guarantee that you are not going to be spending it all and depend on other taxpayers to help you out later. You can retire as early as you want to.

I am suggesting that as you have personal investments, a good way to divide that personal investment between man and wife, between spouses, is to add what each spouse is allowed to invest, and you add both spouses' investment opportunity together and you divide by 2. So both the man and the wife, whether the wife is working or staying at home, would have the exact same amount that they are investing in their own personal retirement savings account.

Some people have asked me, what do you mean by ''safe investments''? What I have done in my legislation is limiting it to either indexed stocks or indexed bonds or indexed global funds or indexed cap funds and other safe investments, as determined by the Secretary. It is the direction that we have to go. The quicker we move ahead on these kinds of solutions, the better off our future is going to be, not only for existing retirees, but for future retirees.

I have been asked the question in my town hall meetings, why do you not just take the $65,000 cap off what individuals are now required to pay that 12.4 percent of? When we started this program we started at 1½ percent of the I think first $3,500. Now, over the years, we are now up to 12.4 percent of the first $65,000 that you earn.

But if you were to take the the cap off, because Social Security benefits are calculated based on what you put in, if you took the cap off, the more you put in, the more your benefits would be. So I think that brings us to a decision: Do we want Social Security to turn into a welfare program that has no relationship to the contributions that go in?

I suggest that we do not want to turn Social Security into a program that says, well, if you saved and invested and did it on your own and were lucky, then you do not get anything back; but if you did not save and you did not invest and you did not take two jobs along the way, then we are going to have a Social Security program. I think there is some danger in turning Social Security into a welfare program. However, I do think that we need to slow down the increase in benefits for the higher wage-earners. That is what I do in my proposal.

I wonder, Mr. Speaker, if everybody understands how we calculate Social Security today. Let me just give sort of the rough version. You take your 35 best years of income or wages that you are making, and out of those 35 years you get an average monthly earning. Then you take the average monthly earning and you take the first roughly $450 and you say you are going to get 90 percent of that lower amount and then 15 percent of a higher amount. So what it does is add some degree of, if you will, progressivity to the way we calculate Social Security benefits.

So we go from 90 percent to 30 percent to 15 percent of your wages, and 15 percent of the high wage. That means that the high-wage person that is contributing up to the maximum is going to get a lower percentage back in terms of benefit than the lower wage-earner.

What I do in my proposal is I slow down the increase in benefits for that high-wage earner. I increase the retirement age by an additional 2 years. But to offset that 2-year increase in retirement age, I say that an individual can retire and use their returns for their investments as early as age 59½. So within 30 years, it could very well be that what they are getting from their personal investments would be greater than what they get from their fixed benefits under the traditional Social Security.

Yet one only needs to look at several examples of what States are doing to see the advantages of investment, real investment, and the returns that that can create as far as pension benefits compared to the Social Security fixed benefit program, where, in effect, we spend all of the money immediately when it comes in in taxes.

If we were to look at, for example, some counties in Texas that had the option of not signing into Social Security but invested that money in the kind of investments in stocks and bonds and mutual funds, whatever, those people recently now are getting up to 8 times more than they would have if they had been in the traditional Social Security system.

Mr. Speaker, private investment has to be one of the considerations of how we solve Social Security. I say, and this is what I said when I spoke to the National Association of State Treasurers this afternoon, going over this problem, is let us look at all the options.

Let us say here are all of the ways that we can help stabilize and keep Social Security solvent. Let us start talking about those options, pick out the best options, and let us, by the year 1999, next year, let us come up with a Social Security bill and start moving it forward as far as solving this problem, because the longer we wait, the more drastic the changes are going to have to be.

So let us face up to it, let us talk about it, and the gentleman from Texas (Mr. CHARLIE STENHOLM) and the gentleman from Arizona (Mr. JIM KOLBE) have a bill that says let us have a joint committee of the House and the Senate. Other individuals say let us appoint a commission.

Personally, I question appointing a commission if we are going to simply have a commission that is going to spend a couple of years, like the President's Commission did, coming up with alternative solutions. I think it is Congress' responsibility, it is the President's responsibility.

Let us look at the best possible solutions with the goals of not interfering or reducing the benefits of existing retirees or those that have already planned their retirement based on the promises kept, with the goals of making sure that Social Security is going to be a good investment for working families in this country, and with the goal of making sure that Social Security is going to be available for our grandchildren.

DEVELOPMENTS DURING AND AFTER BLACK HISTORY MONTH

The SPEAKER pro tempore (Mr. BLUNT). Under the Speaker's announced policy of January 7, 1997, the gentleman from New York (Mr. OWENS) is recognized for 60 minutes.

Mr. OWENS. Mr. Speaker, there have been a lot of developments over the past 2 weeks, and I had meant to speak last week and was unable to because of the sudden adjournment that took place last Tuesday, but I think what I wanted to talk about is still pertinent.

I wanted to talk about the closeout, the ending of Black History Month. February was proclaimed as Black History Month or African-American History Month for 1998. But since that time there have been a number of developments which I think are relevant to what I had to say at that time, so I am going to try to blend in some of these additional developments that have taken place with the statement that I originally wanted to make in connection with Black History Month.

Some relevant developments include the conclusion of a peace mission to Iraq, which I think is relevant to what I have to say. Another development is the issuance of a report last week by the Milton S. Eisenhower Foundation and the Corporation for What Works. It is called ''The Millennium Breach,'' in commemoration of the 30th anniversary of the National Advisory Commission on Civil Disorders. The National Advisory Commission on Civil Disorders was better known as the Kerner Commission Report.

The Kerner Commission Report was a report commissioned by President Lyndon Johnson to study the riots that took place in the sixties and to develop a set of recommendations for the Federal Government. I like to call it the Kerner-Lindsey Commission Report, because Mayor John Lindsey, who was at that time Mayor of New York, was also appointed as Governor Otto Kerner of Illinois' vice-chairman, sort of. I know that Mayor John Lindsey did a tremendous amount of work on that Kerner Commission report.