Yet we would argue that the only way to preserve international cohesion is for the council to face up to the tough question that it has been avoiding for weeks—not world order or U.S. power but Saddam Hussein's defiance of an unambiguous Security Council disarmament order. In their bid for global opinion, the French and Russians now invoke principles they would never agree to if they were applied to Chechnya or Francophone Africa. As President Bush pointed out in his news conference Thursday, Iraq's continued stockpiling of banned weapons is a direct threat to the United States, and the country has a right under the U.N. Charter to defend itself against that threat.

By taking its case to the United Nations, the Bush administration tested whether the Security Council—which only rarely in the past 50 years has been able to respond to the world's crises—could serve as a place where such threats could be addressed. Yet after six months of intensive effort, France, Russia, Germany and others refuse to accept the consequences of the process they claim to favor. They would rather the Security Council abandon its own resolutions, or split apart, than endorse a U.S. use of force against an outlaw tyrant. If their goal is really to preserve the U.N. security system, they should join in supporting the enforcement of U.N. resolutions; if it is merely to contain the United States, they should not be allowed to succeed. The United States, for its part, must remain open to reasonable compromise. If a few more weeks of diplomacy will serve to assuage the legitimate concerns of undecided council members, the effort—even at this late date—would be worth making.

SOCIAL SECURITY REFORM

Mr. BUNNING. Mr. President, in the upcoming days of the 108th Congress, this legislative body may be called upon to tackle the very important and very difficult issue of Social Security reform. As it currently stands, the Social Security System needs strengthening for the sake of our children and grandchildren. I recently read an article, written by Mises Institute Scholar John Attarian, which takes us back to December 1981, when President Ronald Reagan, alone with House Speaker Tip O'Neill and Senate Majority Leader Howard Baker, created a bipartisan commission to study Social Security and recommend reforms. Alan Greenspan was picked by President Reagan to head-up this commission. This article will provide my fellow colleagues with insightful information regarding past experience with Social Security reform. If we refuse to learn from our previous mistakes and mishaps, we are doomed to travel down the same erroneous and errant path. We can't just kick the can down the road. Raising taxes on benefits and reducing benefits are not an option for Social Security reform.

I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ANOTHER GREENSPAN SOCIAL SECURITY REFORM?

(By John Attarian)

On Thursday, February 27, Federal Reserve Chairman Alan Greenspan told the Senate's Special Committee on Aging that we should tackle Social Security sooner rather than later, so as to avoid ''abrupt and painful'' revisions of the program when the baby boomers start retiring. Congress should, he said, consider things like raising the retirement age and changing the annual benefit Cost of Living Adjustment (COLA), before raising the payroll tax, because a payroll tax hike discourages hiring.

''Early initiatives to address the economic effects of baby-boom retirements could smooth the transition to a new balance between workers and retirees. If we delay, the adjustments could be abrupt and painful,'' Greenspan said. He added that Congress should consider switching to a lower inflation rate for the annual COLA, which could save billions in benefit outlays.

Greenspan's words should set off alarm bells in well-informed minds. Almost exactly ten years ago, a National Commission on Social Security Reform headed by Greenspan proposed a package of benefit cuts and tax increases, which Congress enacted with little change, and which turned out to be one of the most oppressive—and underhanded—things Congress ever did to younger Americans over Social Security. It also failed to solve Social Security's long-term problems.

BACKGROUND TO THE GREENSPAN COMMISSION

The 1972 amendments to the Social Security Act not only greatly increased benefits, and created the annual COLA to increase benefits to compensate for inflation, but included an overly generous formula for the COLA which in effect adjusted benefits twice. This plus the inflationary stagnation of the 1970s created Social Security's first funding crisis. To cure it, Congress passed in December 1977, and President Jimmy Carter signed into law, amendments which both undid the overadjustment of benefits and mandated the largest tax increase in American history up till them. Supposedly this would solve the problem permanently.

It didn't. The long-term actuarial deficit fell from a frightening −8.20 percent of taxable payroll to a still-troubling −1.46 percent. Moreover, thanks to inflationary recession, the short-term outlook was calamitous; in 1980, Social Security's Board of Trustees reported a deficit of almost $2 billion in 1979, that by 1982 at the latest, Old-Age and Survivors Insurance (OASI) would be unable to pay benefits on time, and that by calendar 1985 Social Security's trust fund would be exhausted.

So in May 1981, Ronald Reagan's Secretary of Health and Human Services, Richard Schweiker, sent Congress Reagan's proposals for restoring Social Security's solvency.

Instead of another tax hike, Reagan proposed benefit cuts—most importantly, cutting early retirement benefits from 80 percent of the full benefit to 55 percent, and increasing the dollar ''bend points'' in the Average Indexed Monthly Wage formula, which break up income into intervals upon which benefit calculations are based), by 50 percent of the average annual wage increase, not 100 percent.

Reagan walked into a buzz saw. Congressional Democrats, seniors' groups, Social Security architects such as Wilbur Cohen, unions, and others blasted him for ''breaking the social contract,'' and he suffered his first defeat in Congress. In December 1981, he recommended creation of a bipartisan commission to study Social Security and recommend reforms. Reagan picked five members, including economist Greenspan as chairman; House Speaker Thomas ''Tip'' O'Neill picked five; and Senate Majority Leader Howard Baker picked five more. The Greenspan Commission quarrelled bitterly over what to do, missing its December 1982 deadline, and did not issue its report until January 15, 1983.

THE 1983 SOCIAL SECURITY RESCUE

It was just in time. Exhaustion of the Old-Age and Survivors Insurance trust fund was now projected for July 1983, meaning benefit checks wouldn't go out on time. Reagan and Congress moved fast. The Commission's proposals were introduced on January 26; both houses of Congress passed the final version of the rescue legislation on March 25; and Reagan signed it into law on April 20, 1983.

Supposedly, the Greenspan Commission gave politicians a political cover enabling them to bite the bullet on Social Security and even do the unthinkable: cut benefits. Supposedly, the Greenspan Commission's reforms were a compromise between the Republicans, who wanted to cut benefits, and the Democrats, who wanted to raise taxes instead. Supposedly, they therefore spread the pain widely, cutting current benefits, raising current and future taxes, cutting future benefits, and dragging previously exempted persons into Social Security's revenue pool.

Superficially considered, they did. Current beneficiaries had their July 1983 COLA delayed six months, until January 1984, and all beneficiaries would have COLAs paid in January thereafter. For the first time, Social Security benefits were subject to taxation. Beginning in 1984, up to 50 percent of Social Security benefits would be included in taxable income for persons whose sum of adjusted gross income plus taxable interest income plus one-half of Social Security benefits exceeded $25,000 for single beneficiaries and $32,000 for married beneficiaries.

The future tax increases mandated in 1977 were accelerated; the payroll tax rate increase scheduled for 1985 kicked in in 1984 instead, and part of the 1990 increase went into effect in 1988. In addition, the self-employment tax rate, which the 1977 law would have increased to 75 percent of the sum of the employer and employee shares of the Federal Insurance Contributions Act (FICA) tax, was raised to 100 percent of this sum.

Many additional categories of employees were brought under Social Security, including the President, members of Congress, federal judges, federal employees newly hired on or after January 1, 1984, and present and future employees of tax-exempt nonprofit organizations. State and local government employees, who previously were able to opt out of Social Security, no longer could as of April 20, 1983.

The retirement age (the age at which one could qualify for full Social Security benefits) was gradually raised, to reach sixty-six in 2009 and sixty-seven in 2027. One could still retire early and start collecting early retirement benefits at age sixty-two, but the early retirement benefit would be trimmed from 80 percent of the full benefit in 1983, to 75 percent in 2009 and 70 percent in 2027.

THE 1983 RESCUE UNMASKED

But although the pain was indeed spread widely, it was certainly not spread evenly. The distribution of sacrifice was incredibly lopsided, falling least heavily on current beneficiaries and most heavily on current taxpayers, future taxpayers, and future beneficiaries. In other words, the elderly of 1983 were spared any real hardship, and the bulk of the burden was put on those who were young in 1983 and of Americans yet unborn.

In the short-run period of 1983–1989, the majority of the pain was borne by taxpayers, not current beneficiaries. Using its intermediate actuarial assumptions, the Office of the Actuary estimated that the amendments would raise an additional $39.4 billion in this period from the higher FICA tax rates, $18.5 billion from the higher self-employment tax rate, and $21.8 billion form extending Social

Security coverage to those not then in the system. Total estimated additional revenues from current and newly-created taxpayers: $79.7 billion.

The new benefit taxation, which would affect only a minority of the current beneficiaries—only the richest ten percent, according to Phillip Longman's 1987 book Born to Pay: The New Politics of Aging in America—would bring in another $26.6 billion. The only major hit taken by all the current beneficiaries, the delay in COLAs, would cut benefits by $39.4 billion over this six-year period, for total current beneficiary losses of $66.0 billion.

The inequity was even worse in the long run. In 1983, Social Security's actuaries put the long-range actuarial deficit at −2.09 percent of taxable payroll under intermediate assumptions. Raising the retirement age made the largest single contribution to eliminating this deficit, wiping out about a third of it, 0.71 percent of taxable payroll; and this fell entirely upon future beneficiaries.

Benefit taxation increased the long-term income rate by 0.61 percent of taxable payroll—the second-largest contribution to erasing the deficit; it fell somewhat on the (richest) current beneficiaries, but mostly on future ones. These two measures accounted for 1.32 percent of taxable payroll, or almost two-thirds of the long-term actuarial deficit. Most of the rest was eliminated by brining new people (who would initially participate as taxpayers) under Social Security (0.38 percent of taxable payroll), and accelerating the phasing-in of the 1977 tax increase and increasing the self-employment tax rate (0.22 percent).

It turns out, then, that the allegedly broad sharing of sacrifice was in fact engineered to injure, and provoke, the politically powerful current beneficiaries, who with their allies had routed the Reagan Administration in 1981, the least, and put the lion's share of the hurt on the young, including those not even born yet.

Moreover, when we examine how the sacrifice broke down between benefit cuts and tax increases, we see that the broad-based rescue was, in reality, disproportionately based on tax increases. The measures to increase revenues—benefit taxation, accelerated tax increases, the higher self-employment tax rate, and augmenting the revenue base with new participants—reduced the long-term acturial deficit by 1.21 percent of taxable payroll, or almost 58 percent of the total.

Not only that, the Greesnpan Commission's reforms were shot through with serpentine underhandedness. For one thing, the graudal ramping up of the retirement age and cutting of the early retirement benefit were scheduled so as to bite worst in 2027, 44 years after enactment—in other words long after the politicians who had enacted them had left Congress and were safe from retaliation by angry baby boomers on Election Day.

For another, the benefit taxation will hit future generations far harder than it hit the current beneficiaries of the 1980s, because the income thresholds which trigger the taxation, $25,000 and $32,000, were not adjusted for inflation (and still aren't). This means that over time, thanks to inflation, more and more beneficiaries will hit these tax tripwires, just as inflation shoved Americans into higher tax brackets before income tax indexing was enacted in 1981.

Phillip Longman maintained that of all the features of the 1981 rescue, benefit taxation ''most reduces the benefits promised to baby boomers and their children.'' While benefit taxation hit only the richest beneficiaries when enacted, Longman noted, even with the modest rates of inflation which the Social Security actuaries' intermediate analysis assumed, a $25,000 income in 2030 would have less purchasing power than an income of $4,000 in the mid-1980s! ''So by the time the baby boomers qualify for Social Security pensions, the program will be effectively means tested, if it survives at all. Under current law, i.e., including the 1983 amendments, only the poorest baby boomers are even promised a fair return on their contributions to the system.''

How's that for a piece of Byzantine cunning?

Yet for all its heavy burdens, which it imposed with such inequity and insidiousness, the 1983 rescue of Social Security turned out to be only temporarily effective. The 1983 Annual Report of Social Security's Board of Trustees projected long-term actuarial balance for Social Security.

Just five years later, the long-term balance was in deficit again, −0.58 percent of taxable payroll. In 1993, ten years after the great rescue legislation, the long-term actuarial deficit was −1.46 percent. In 1994, thanks to various changes in actuarial assumptions, the Board of Trustees reported a deficit of −2,13 percent—worse than the deficit which the 1983 rescue had erased. The long-term actuarial deficit continued to grow, hitting −2.23 percent of taxable payroll in the 1997 Annual Report.

An improved economic outlook due to the late-1990s prosperity and productivity growth led to optimistic revision of various economic assumptions, and the long-term actuarial deficit began dropping as a result, to −1.87 percent of taxable payroll in the 2002 Annual Report. Nevertheless, the trustees continue to point out that Social Security is not in long-term close actuarial balance and that corrective action is necessary.

To sum up, the 1983 rescue legislation embodying the recommendations of Greenspan's Commission substantially injured the baby boomers and their younger siblings on the sly—and it didn't help.

ANOTHER STEALTH ''RESCUE''?

The lurking menace in Greenspan's recent remarks is that he may be floating a trial balloon for another stealth ''rescue'' of Social Security which pushes the bulk of the pain into the future and doesn't really accomplish much. It is almost certain that any trimming of benefits by the measures Greenspan advocates—raising the retirement age or shifting to a lower inflation rate for the COLA—would scrupulously avoid arousing the politically formidable current elderly, who are not only organized into pressure groups such as the American Association of Retired Persons and the Seniors Coalition, but, as is well known, participate in voting much more heavily than do the young.

Notice that Greenspan wants ''[e]lderly initiatives to address the economic effects of baby-boom retirements.'' What's significant here is that he says nothing about cutting current costs, which have exploded to extremely high levels. Benefit outlays were $141 billion ($386 million a day) in calendar 1981 and $268.2 billion ($735 million a day) in calendar 1991, almost double the 1981 figure. In calendar 2001, Social Security paid $431.9 billion in benefits ($1.18 billion a day), over three times the 1981 cost.

Moreover, this mushroom growth will continue even before the baby boomers swamp Social Security. Under intermediate actuarial assumptions, benefit outlays are projected at $546.7 billion ($1.5 billion a day) for calendar 2006, before any baby boomers retire, and $746.7 billion ($2.05 billion a day), an increase of 72.9 percent over 2001's figure, for calendar 2011, when boomer retirements have just begun.

Then, too, just as the Greenspan Commission's 1983 benefit taxation with trigger income levels unadjusted for inflation is a stealth means test, tinkering with the price index for the COLA is itself an intrinsically insidious way to cut benefits. Rather than cut them directly, it finagles the arithmetic on which their adjustment for inflation is based.

Finally, fiddling with the inflation rate for the COLA may in fact not make all that much difference. Buried toward the end of the February 28 Washington Post piece on Greenspan's remarks was the interesting news that whereas a 1996 commission found that the Consumer Price Index overstated inflation by 1.1 percentage points a year, another study done in 2000 found that improvements in the index made by the Bureau of Labor Statistics had whittled the overstatement down to 0.6 percentage points a year, an improvement of almost 50 percent.

Now, the Social Security actuaries have already factored in the improvements in the Consumer Price Index. Both the improvement in the long term actuarial deficit in recent years and the projected explosion in outlays by 2011 already take the more-accurate index into account. Which leads one to wonder just how much we'd really gain by tinkering with the CPI some more.

So while Greenspan's recent testimony seems like a courageous and tough-minded warning about Social Security, under close scrutiny it looks like the makings of another serpentine but ineffectual attempt to fend off disaster.

ALZHEIMER'S RESEARCH, PREVENTION AND CARE ACT

Mr. KENNEDY. Mr. President, it is a privilege to join my colleagues Senators MIKULSKI, BOND, BREAUX, DODD, LINCOLN, LANDRIEU and COCHRAN in introducing this important bipartisan legislation. The Alzheimer's Research, Prevention and Care Act will expand federal efforts to find new ways of treating and preventing Alzheimer's Disease and to provide better care for the 4 million Americans suffering from this devastating illness.

Alzheimer's disease is the most serious threat to the health and well-being of America's seniors. It has a devastating impact on individuals, families, the health care system, and society as a whole. Today, four million Americans have Alzheimer's disease, and that number is expected to grow to 14 million as baby boomers age. Currently, one in 10 people over the age of 65 have Alzheimer's disease, and nearly half of those over 85 suffer from it. This figure is particularly alarming, since the over-85 age group is the fastest growing segment of our population.

The annual cost of formal care for Alzheimer's disease is immense—$100 billion, and the value of the care provided by family caregivers is an additional $196 billion. As the baby boomer generation continues to age, the costs will rise to at least $375 billion a year, which presents a serious challenge to Medicare, Medicaid and our entire health care system.

We can avoid this crisis. Researchers have been working hard to find a cure. Scientists have come close to discovering the scientific causes of Alzheimer's disease. Newly released studies have begun to reveal information