

1 OPEN EXECUTIVE SESSION TO CONSIDER FAVORABLY REPORTING
2 THE NOMINATIONS OF THE HONORABLE CHARLES P. BLAHOUS III,
3 OF MARYLAND, TO BE A MEMBER OF THE BOARD OF TRUSTEES OF
4 THE FEDERAL HOSPITAL INSURANCE TRUST FUND FOR A TERM OF
5 FOUR YEARS, A MEMBER OF THE BOARD OF TRUSTEES OF THE
6 FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND FOR A
7 TERM OF FOUR YEARS, AND A MEMBER OF THE BOARD OF TRUSTEES
8 OF THE FEDERAL OLD-AGE AND SURVISORS INSURANCE TRUST FUND
9 AND THE FEDERAL DISABILITY INSURANCE TRUST FUND FOR A
10 TERM OF FOUR YEARS (REAPPOINTMENTS); AND THE HONORABLE
11 ROBERT D. REISCHAUER, OF MARYLAND, TO BE A MEMBER OF THE
12 BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST
13 FUND FOR A TERM OF FOUR YEARS, A MEMBER OF THE BOARD OF
14 TRUSTEES OF THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE
15 TRUST FUND FOR A TERM OF FOUR YEARS, AND A MEMBER OF THE
16 BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVISORS
17 INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE
18 TRUST FUND FOR A TERM OF FOUR YEARS (REAPPOINTMENTS)

19 WEDNESDAY, JUNE 8, 2016

20 U.S. Senate,
21 Committee on Finance,
22 Washington, DC.

23 The meeting was convened, pursuant to notice, at
24 9:40 a.m., in room 215, Dirksen Senate Office Building,
25 Hon. Orrin G. Hatch (chairman of the committee)
26 presiding.

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1 Present: Senators Grassley, Crapo, Thune, Burr,
2 Isakson, Toomey, Coats, Heller, Scott, Wyden, Schumer,
3 Cantwell, Carper, Cardin, Brown, Bennet, and Casey.

4 Also present: Republican Staff: Chris Campbell,
5 Staff Director; Mark Prater, Deputy Staff Director and
6 Chief Tax Counsel; Jeff Wrase, Chief Economist; and
7 Nicholas Wyatt, Tax and Nominations Professional Staff
8 Member. Democratic Staff: Michael Evans, General
9 Counsel; Joshua Sheinkman, Staff Director; Tom Klouda,
10 Senior Domestic Policy Advisor; and Ian Nicholson,
11 Investigator. Non-Designated Staff: Joshua LeVasseur,
12 Chief Clerk and Historian; and Jewel Harper, Deputy
13 Clerk.

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1 OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR
2 FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

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4 The Chairman. The committee will come to order.
5 Good morning and welcome to this executive session to
6 consider pending nominations.

7 Today the committee will consider the nominations of
8 Dr. Robert D. Reischauer, and Dr. Charles P. Blahous, III
9 to be Public Trustees on the Social Security and Medicare
10 Board of Trustees. There is really no question that both
11 of Obama's nominees that are under consideration today
12 are highly qualified. Both have already served full
13 terms as public trustees, and any reasonable observer
14 would conclude that they have solid reputations as being
15 fair, objective, balanced, and most important, highly
16 competent.

17 Sadly for some, the very idea of being reasonable
18 has been abandoned with regard to these nominees, and one
19 of them in particular, to put it bluntly, much of the
20 public noise over these nominees has been downright
21 shameful. There are a number of people, including some
22 of our colleagues, who have politicized the public
23 trustee positions really beyond all recognition.

24 I think it is very important that we be clear about
25 what the public trustees do, and perhaps more

1 importantly, what they do not do. In addition to the two
2 public trustees, the boards we are talking about today
3 consist of the Secretaries of Treasury, Labor, HHS, and
4 the Commissioner of Social Security.

5 The primary purpose of the boards is to produce
6 yearly reports on the operation of the trust funds and
7 their current and future status. The reports do not
8 include commentary from the trustees on Social Security
9 or Medicare. They do not provide a platform for anyone
10 of any ideological stripe to enact their policy views.
11 They are simply objective and dispassionate accounts of
12 what is going on with the trust funds.

13 In the more than three decades that the public
14 trustees have been in place, the process for developing
15 these reports and, indeed the reports themselves, have
16 been largely devoid of partisanship or undue influence.
17 As a result, in virtually all corners the trustee reports
18 are viewed as credible and definitive accounts of the
19 ongoing state of the Medicare and Social Security Trust
20 Funds.

21 Apparently, some of my friends on the other side of
22 the aisle would like to change all of that. They want to
23 impose political and ideological tests on the nominees
24 and disqualify and censor anyone who does not share their
25 views on Social Security and Medicare policy.

1 We have, essentially, been told by some of our
2 friends that if a person has ever expressed an opinion
3 about the future of Social Security that is not in
4 support of benefit hikes and higher taxes, even if that
5 opinion was expressed in a nonofficial capacity and
6 backed up with objective analysis, that person is unfit
7 to be a public trustee. Even worse, these Members are
8 not content to simply vote against a nominee on the basis
9 of this irrational litmus test, they have taken it upon
10 themselves to attack one of the President's current
11 nominees and impugn his character.

12 During our recent hearing on these nominations,
13 Members of the committee systematically went after the
14 Republican nominee for public trustee saying he was,
15 "hyper partisan," even though they lacked any credible
16 evidence that such was the case and despite the
17 overwhelming consensus among experts on Medicare and
18 Social Security, not to mention those in the Obama
19 Administration to the contrary.

20 They called him "the architect of privatization" of
21 Social Security simply for having worked in the Bush
22 Administration. They castigated him for his work as
23 Executive Director of President Bush's Commission to
24 Strengthen Social Security as though any association with
25 that commission was somehow suspect or nefarious.

1 Of course, omitted from these twisted accounts is
2 the fact that one of the cochairs of the bipartisan
3 commission was none other than Senator Daniel Patrick
4 Moynihan, an almost legendary Senator beloved by
5 Democrats and a number of us Republicans throughout the
6 country.

7 All of this, of course, predated the nominee's first
8 term as public trustee by many years, a term to which he
9 was nominated and confirmed by a Democrat-controlled
10 Senate without a single vote or voice in opposition on
11 the floor. Six years ago he was confirmed by voice vote.

12 Now, however, he is -- in the words of some of my
13 colleagues -- "a fox guarding the henhouse."

14 That particular use of clever imagery was repeated
15 in an article that ran in the *Huffington Post* just
16 yesterday. That article which referred directly to
17 today's committee proceedings was authored by three
18 Democratic Senators -- only one of whom sits on this
19 committee. That same article vilified the nominee as
20 being "an opponent of Social Security," and "a product of
21 a vast Koch brothers' conspiracy to destroy the program
22 and as someone who works for a front group zealously
23 pursuing an antigovernment agenda."

24 Now, I read that article with some frustration, and
25 frankly, some confusion. One of the chief claims in the

1 article and the key point of supposed evidence that the
2 nominee is unfit to serve another term was that in his
3 position as public trustee, he exerted undue influence on
4 the assumptions used in recent Social Security Trustees
5 Reports in order to create a misperception about the
6 future insolvency of the program.

7 In making this argument, my colleagues almost seem
8 to be implying that the public trustee, one of six board
9 members, wrote the reports himself. Apparently, my
10 colleagues forgot or were somehow unaware that all of the
11 other members of the board signed onto the reports in
12 question.

13 To remind my colleagues and the public, the reports
14 were also signed by Treasury Secretary Jack Lew, Labor
15 Secretary Tom Perez, HHS Secretary Sylvia Burwell, and
16 Acting Social Security Commissioner Carolyn Colvin, not
17 to mention the Democratic Public Trustee whose nomination
18 is also before the committee today. Are all of these
19 high level Obama Administration officials part of the
20 same Koch conspiracy, or was the nominee so influential
21 or the other cabinet level officials on the board, along
22 with their staffs, so powerless, incompetent, or just
23 plain dumb that the public trustee was through sheer
24 deception, and deviousness able to dupe them all into
25 buying off on a set of assumptions, no doubt, fed to him

1 from the Koch brothers in order to undermine Social
2 Security.

3 He was also, apparently, so dastardly and cunning
4 that he similarly duped President Obama into nominating
5 him for a second term. All of this is, of course,
6 absurd. But that, in essence, is what some of my
7 colleagues would have the public believe. I hope we can
8 get above that.

9 I will ask a rhetorical question. Which of the
10 following scenarios is more likely: a) this nominee to
11 what has, historically, been a nonpoliticized position is
12 so terrible and skillful in his terribleness that he has
13 co-opted half of the Obama Administration and the
14 President himself into a vast right-winged conspiracy to
15 bring down Social Security; or b) there is something else
16 far more simple going on here?

17 People are free to believe scenario "a" if they are
18 particularly conspiracy minded, but there is far more
19 evidence in support of scenario "b." Case in point, many
20 of the same Senators making these types of arguments have
21 specifically and repeatedly highlighted their attacks on
22 this nominee in their political fundraising efforts.
23 This is roughly in conjunction with President Obama's
24 call for expanding Social Security benefits, and the
25 Democrat's presidential frontrunner making Social

1 Security a centerpiece of her campaign.

2 If we talk about this coordinated political effort,
3 I should note that the Democrat's presidential
4 frontrunner also recently dropped the charge that the
5 Bush Administration tried to "privatize" Social Security
6 and "turn it over to Wall Street." To that, the
7 *Washington Post* fact-checker assigned the charge three
8 Pinocchios, meaning it was false.

9 The *Post* also made clear if anything, it was
10 President Bill Clinton who should be called the architect
11 of privatization of Social Security, not President Bush
12 or anyone who has served on his staff, certainly not the
13 current nominee for public trustee. But I digress.

14 Long story short, this firestorm is about politics,
15 pure and simple. Some of my friends on the other side
16 seem to believe Social Security will be a particularly
17 winning issue for them this year, and are more than
18 willing to attack and impugn the character of this
19 nominee and undermine the credibility of the Social
20 Security Board of Trustees in order to make their point.

21 I think most of us on the Republican side have
22 gotten used to hearing that we are somehow hostile to
23 Social Security, a total lie. We are accustomed, I think
24 to the attacks filled with poll tested and focus group
25 approved claims that we want to "slash" or "privatize"

1 Social Security or "turn it over to Wall Street." It is,
2 unfortunately, par for the course to hear these attacks
3 aimed at Republican politicians every election year.

4 However it is, to the best of my knowledge,
5 unprecedented for Members to use this kind of over-the-
6 top political rhetoric when talking about these public
7 trustees. As I said earlier, the word that comes to my
8 mind is "shameful." The facts are clear. Both of these
9 nominees were confirmed on the floor without any
10 opposition for their initial terms as public trustees.
11 Neither of them did anything in their first time that
12 would cause a reasonable person to conclude they were
13 unqualified to serve a second term.

14 Any statements that they have made in their official
15 capacities as public trustees about the current state of
16 the trust funds or their future outlooks were as part of
17 reports signed by cabinet officials from a Democrat
18 Administration that also serve on the boards.

19 Well I know that facts and honesty are not always
20 the order of the day when we are talking about Social
21 Security and Medicare, particularly in even numbered
22 years. Let us be honest about what is driving this
23 debate. The vast majority of the rhetoric I have heard
24 from our friends on the other side -- some of our friends
25 on the other side -- not to mention from outside advocacy

1 groups with regard to these nominees has not been about
2 "fresh eyes" or term limits. If my friends on the other
3 side simply want to see term limits for public trustees,
4 then by all means they should draw up a bill.

5 So far, few of the voices in this debate seem
6 sincerely interested in the structure of the boards of
7 trustees. Most of the effort has been aimed at attacking
8 one of the nominees and setting up a series of straw men
9 controversies in order to score political points and
10 raise campaign cash in an election year. But as I have
11 said before, there is more at stake here than yet another
12 squabble over political talking points.

13 If we politicize the public trustee positions, the
14 trustee reports will almost certainly become to be viewed
15 as political documents. When that happens, they will not
16 be viewed as uniquely serious or even credible. With our
17 recent arguments, my colleagues are -- apparently --
18 already saying the reports are politically compromised
19 and are not to be trusted so long as Republican sits on
20 the board. Now that is unfortunate to say the least. If
21 we continue down this path they are trying to set for us,
22 it will mean less transparency, less objectivity, and
23 less integrity for Social Security and Medicare.

24 I would ask my colleagues how on earth do these
25 tactics to undermine the Boards of Trustees and their

1 reports inspire greater confidence in Social Security
2 among younger workers? For my part, I am going to do all
3 I can to keep us from moving in that direction.

4 I urge my colleagues, my friends, to support these
5 bipartisan nominees, both of whom are highly qualified
6 and well regarded by the experts in their fields despite
7 what some of my friends on the other side would have the
8 public believe.

9 With that, I will turn to Senator Wyden for any
10 remarks that he cares to make.

11 Senator Wyden. Thank you, Mr. Chairman. That was
12 certainly a stem-winder.

13 I will have some remarks to make here shortly, but
14 if we could, Senator Schumer is under a very tight
15 schedule, and I would like to let him make his comments,
16 and then depending on how you proceed with the other
17 side, I could go after Senator Schumer.

18 The Chairman. That would be fine.

19 Senator Wyden. Sure.

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1 OPENING STATEMENT OF HON. CHARLES E. SCHUMER, A U.S.
2 SENATOR FROM NEW YORK

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4 Senator Schumer. Well, thank you. Thank you,
5 Senator Wyden for being gracious and thank you Senator
6 Hatch for your stem-winder.

7 First, I would like to take some time to explain my
8 position. This is the Republican choice for public
9 trustee to sit on the board. The Senate Republicans
10 recommended him, and of course, they get their
11 appointments. So this idea that he is the President's
12 choice makes no sense whatsoever.

13 Now, more than ever, we need nominees to these
14 positions who will protect Social Security and work to
15 strengthen it. Median incomes for middle-class Americans
16 have declined for over a decade, the first time it has
17 happened. Social Security and the safety net it provides
18 is badly needed now more than ever. So we need folks in
19 the public trustee position who will protect Social
20 Security, or at the very least believe in its central
21 mission and understand its importance to the American
22 workers.

23 Mr. Blahous has shown over the course of his
24 academic career that he is personally ideologically
25 opposed to the fundamental promise of Social Security.

1 He worked on President Bush's efforts to privatize the
2 program. I was there, my dear friend Senator Hatch, when
3 the President proposed it in 2005, and we Democrats under
4 the leadership of Leader Reid successfully beat it back.

5 It would have resulted -- should Bush's proposal been
6 approved -- in a decimation of Social Security as we know
7 it.

8 He endorsed House Republican opposition to
9 reallocating payroll taxes in response to the Disability
10 Fund shortfall last year. Had that reallocation not
11 occurred, either immediate benefit cuts or tax increases
12 would have been necessary. And as outlined in a letter
13 to the President opposing his nomination by a coalition
14 of more than 350 Social Security advocacy groups, there
15 are very real concerns that he may, in fact, be in favor
16 of cutting existing benefits.

17 I do not believe someone with these views should
18 hold the position of trustee, and I think my colleagues
19 join me in that. I must admit, Mr. Chairman, after
20 looking into Mr. Blahous's academic history as Senior
21 Fellow at the Mercatus Center, I have even greater
22 concerns. I understand that Mr. Blahous started working
23 at the Mercatus Center after his first Senate nomination
24 to the Board of Trustees.

25 The Mercatus Center is funded by tens of millions of

1 dollars in donations from the Koch brothers. We all know
2 the Koch brothers are some of the leading opponents of
3 Social Security in America. They have stated it over,
4 and over, and over again.

5 And for the past six years, Mr. Blahous has
6 published a series of articles -- this neutral ambassador
7 for Social Security -- let me read you some of these
8 articles. I will not spend my time reading the articles
9 themselves. The titles are good enough: *Reform*
10 *Entitlements or Go Bust, Washington Examiner, February*
11 *2014; The End of Social Security Self-Financing, The*
12 *Mercatus Center, October 2012; Is it Becoming too Late to*
13 *Fix Social Security's Finances, August 2012; Social*
14 *Security, Chronicle of a Death Foretold, The Hoover*
15 *Institution; Days of Reckoning, also The Hoover*
16 *Institution. The Hoover Institution is also affiliated*
17 *with the Kochs.*

18 Now, Senator Hatch, my dear friend, and I greatly
19 respect him and like him very, very much. He said, Mr.
20 Blahous would have no impact. Let me read you this.
21 During his prior term as a trustee, the 2014 trustees
22 report curiously incorporated a number of assumptions
23 playing up the potential future insolvency of the
24 program, a key talking point in the right-wing war on
25 Social Security.

1 These assumptions were so troublesome that the
2 Independent Chief Actuary for Social Security took the
3 unprecedented step of writing a public statement of
4 actuarial opinion disagreeing with the report. After
5 similarly questionable elements appeared in the 2015
6 report, the Chief Actuary repeated this extraordinary
7 public rebuke. It is no wonder some of us have described
8 Mr. Blahous as a "fox guarding the Social Security
9 henhouse."

10 So it seems to me that Mr. Blahous -- not because of
11 his integrity or his government service, but because of
12 his views is one example of the Koch brothers using their
13 wealth to push folks into government who are sympathetic
14 to their interests. And there is no more dangerous place
15 than in the Social Security Administration because so
16 many Americans oppose the view that has been espoused by
17 many in the Koch brother network that Social Security
18 should be privatized, limited, cut back, abolished, this,
19 that, and the other thing.

20 So with respect to Mr. Blahous, I have particular
21 concerns. If he wishes to put forward policy solutions
22 that would cut benefits, he should do it on his own time,
23 not as a supposed advocate for Social Security benefits.

24 I will oppose moving this nominee forward, and all of
25 the nominees forward in the confirmation process.

1 I thank the Chairman for letting me speak, and I
2 thank my good friend Senator Wyden for letting me go
3 ahead because I have a previous engagement.

4 The Chairman. Senator Wyden, we will now take your
5 statement.

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1 OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM
2 OREGON

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4 Senator Wyden. Thank you very much, Mr. Chairman.

5 Mr. Chairman and colleagues, there is an old saying in
6 politics, "Always take the high road. It is less
7 congested." The fact is the high road here takes you
8 right smack dab into a bipartisan approach that I think
9 ought to be maintained here.

10 There has been a 30-year bipartisan tradition of
11 these trustees serving only one term, 30 years,
12 bipartisan. I am going to go through a little bit of the
13 history. I think that this committee ought to stick to
14 the tradition.

15 Now, I think we all realize that the public
16 trustees, the Medicare and Social Security Trust Fund,
17 these are issues that are not usually discussed at dinner
18 tables from one end of the country to another. But these
19 are extraordinarily important jobs. The fact is when it
20 comes to Medicare and Social Security, programs that are
21 built on a fundamental guarantee of security and old age
22 for all Americans, there is no unimportant job. These
23 programs are at the heart of this country's social
24 fabric, and they protect millions of older people.

25 Now, I learned about these programs firsthand,

1 colleagues, during the years when I was co-director of
2 the Oregon Gray Panthers. During those years, I watched
3 scores and scores of older people -- every single day --
4 walk an economic tightrope. They balanced their food
5 costs against their medical costs, and their rent costs
6 against their home heating costs. These are not abstract
7 issues. These are issues of enormous importance to some
8 of the most vulnerable people in America, our
9 grandparents, our uncles, our family.

10 The public trustees for Medicare and Social Security
11 play a very large part in developing the annual reports
12 that look into the future and layout the major challenges
13 that Medicare and Social Security are going to face
14 decades down the line. That report helps shape the
15 debate around how to protect the guarantee of Medicare
16 and Social Security.

17 Colleagues, it is a guarantee -- when we talk about
18 Medicare -- I am appreciative of the fact that we are
19 looking at chronic care and the like -- colleagues, what
20 we are talking about is updating the Medicare guarantee,
21 and the report issued by the trustees helps frame that
22 debate, protect the guarantee of Medicare and Social
23 Security. The trustees play a role as watchdogs to make
24 sure that the reports are fair and accurate. And by
25 serving only one term, the public trustees bring a fresh

1 perspective.

2 Now, this is a tradition that has been upheld by
3 both sides of this committee. This committee that we
4 revere has had a tradition, Republicans and Democrats
5 supporting this one term approach.

6 In 2006, when President Bush broke with tradition
7 and tried to reappoint two public trustees who had
8 already served one term, this committee on a bipartisan
9 basis said no. A Republican -- and I am glad to see our
10 friend here, Chairman Grassley -- Chairman Grassley and
11 Ranking Member Baucus both apposed the re-nomination and
12 breaking with the tradition.

13 When the President went ahead and made
14 reappointments during a Congressional recess, Senator
15 Grassley and Senator Baucus wrote President Bush and said
16 "The position of public trustee was created in 1983 to
17 bring new perspectives and greater public accountability
18 to the annual Social Security and Medicare Trustees
19 reports. No one has ever served more than one term as a
20 public trustee." Chairman Grassley, and Senator Baucus
21 said "We believe this important precedent must be
22 maintained."

23 In 2010 when Dr. Reischauer and Dr. Blahous were
24 confirmed, I will tell you, colleagues, I thought the
25 issue had been settled. I thought we were done with

1 this, that the tradition of a single term had won out.

2 Now, we had a hearing on these two nominees, and I
3 made it clear -- and I have always felt that I respect
4 each colleague's opinion on substantive issues -- I made
5 it clear that I disagree with some of the policies of Dr.
6 Blahous. I believe privatizing Social Security is not an
7 option, plain and simple. He and I have very different
8 visions of how you go about protecting a social
9 guarantee, financing a vital program for seniors, and I
10 am quite sure different ideas than I have about updating
11 the Medicare guarantee.

12 I want to close, however, colleagues, by saying that
13 for me today the policy disagreements I have with Dr.
14 Blahous are not the central issue. The central issue is
15 about maintaining an important tradition. I believe the
16 committee ought to stick to its 30-year bipartisan
17 tradition and decline to confirm public trustees for a
18 second term.

19 The Senators Grassley and Baucus wrote in 2006,
20 "This important precedent must be maintained."
21 Accordingly, I will be voting against confirming both
22 nominees.

23 Thank you, Mr. Chairman.

24 The Chairman. Senator Grassley?

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1 OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR
2 FROM IOWA

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4 Senator Grassley. All I can say at this point --
5 not going over the record entirely from the period of
6 time when I was Chairman -- I think you would find that a
7 careful examination of that history reveals that
8 contextually, the prior instance was quite different than
9 what we have before us with today's nominees.

10 Today are no issues related to recess appoint, and
11 that was a big point of what Senator Baucus and I wrote
12 our letter to the President about. There were concerns
13 at that particular time about inadequate consultation
14 with Congress. I presume it also related to the
15 possibility -- the use of the recess appointment, and
16 there was also concern about the paid consultancy
17 positions with the Treasury Department at that particular
18 time. Those concerns, obviously, are not relevant to
19 today's appointments.

20 I yield.

21 The Chairman. Thank you, Senator Grassley.

22 Senator Grassley, you would think that we are the
23 ones who appointed these two. We are not. It is the
24 President who appointed them.

25 Now, we made an exception for Senator Schumer, and I

1 always will do that because of his leadership position.
2 He has a lot of things he has to do, but the next one up
3 is Senator Isakson.

4 Now, let me just caution everybody we are going to
5 have to leave in just a few minutes because of the
6 meeting over in the House of Representatives. So I would
7 caution you to keep your comments as little as you can.

8 Senator Wyden. Mr. Chairman, I would just say
9 going back and forth is the committee's tradition, but we
10 have Senators who definitely want to speak, and I do not
11 believe we should move to a vote until all Senators who
12 wish to speak have that opportunity.

13 The Chairman. Well, I would suggest to my side, if
14 it is all right, that we allow those on the other side to
15 be first to make their speeches because we are going to
16 vote on this one way or the other. If it is not done
17 here, we will do it off the floor.

18 So is that okay? Is that acceptable to our side?

19 Senator Isakson. I yield my time.

20 The Chairman. All right. Anybody else feel that
21 way?

22 [No response.]

23 The Chairman. All right, then we will -- let us
24 see. Senator Carper would be next, then Senator Cardin.

25 All right. Senator Carper?

1 [No audible response.]

2 The Chairman. All right. Senator Cardin?

3 [No audible response.]

4 The Chairman. All right. Then, Senator Brown, you
5 have been chomping at the bit here. We will turn to you.

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1 OPENING STATEMENT OF HON. SHERROD BROWN, A U.S. SENATOR
2 FROM OHIO

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4 Senator Brown. I felt I almost already gave my
5 speech, Mr. Chairman. Your opening comments -- I
6 appreciated that.

7 The Chairman. You are always eloquent. That is
8 all I can say.

9 [Laughter.]

10 Senator Brown. As you are, Mr. Chairman.

11 President Obama had it right when he said we should
12 work to expand and strengthen Social Security. This
13 appointment was the Republican appointment, as Senator
14 Schumer pointed out, and Senator Wyden pointed out. Yet,
15 this committee is now putting someone in a position of
16 public trust who helped write the blueprint for
17 privatizing Social Security which would hand the
18 retirement security of American seniors over to Wall
19 Street.

20 Dr. Blahous is employed at the Mercatus Center. We
21 know that. It is a right-wing think tank, primarily,
22 funded by the Koch brothers. We know that. He spent his
23 time there writing partisan reports questioning the
24 integrity of Social Security. We know that. He has
25 argued time and again for cutting benefits and raising

1 the retirement age all under the guise of so-called
2 "reform." He helped promote claims that Social Security
3 disability insurance was in financial peril and targeted
4 workers with disability.

5 I am grateful to Senator Hatch and this committee
6 for taking care of Social Security disability in the
7 right way in spite of Mr. Blahous's admonitions. He
8 helped write President Bush's plan to privatize Social
9 Security.

10 As a private citizen he is, of course, entitled to
11 promote any misguided idea he sees fit. The trouble is
12 that Dr. Blahous promoted many of these ideas while using
13 the title, public trustee. This politicizes what should
14 be an apolitical position. He leaves the impression that
15 he speaks for the Social Security Administration. He
16 does not. He leaves the impression that he speaks for
17 the public. He must not.

18 We cannot allow him to continue using his title of
19 public trustee to push an agenda that would rob seniors
20 of the retirement security they have earned. At a time
21 when Americans are facing less certainty than ever in
22 retirement, we cannot enable someone who pushes a
23 partisan political agenda to hide behind the title of
24 public trustee. We cannot allow political operatives to
25 work within the Social Security Administration to erode

1 the American people's trust in the foundation of American
2 working families' retirement security.

3 Now, some of my colleagues in this body seem to have
4 developed a severe case of political amnesia. Think
5 about this, we know that one of the biggest battles in
6 this Congress for decades has been the role of social
7 insurance. What do you think about unemployment
8 insurance? What do you think about Social Security?
9 What do you think about Medicare?

10 Democrats have, generally, believed in social
11 insurance -- that we pay in as workers -- into Social
12 Security, and into Medicare, and unemployment insurance.

13 Then when we need them as a pension, as a disability
14 insurance, as an unemployed worker, you get that money
15 back. That has been the, sort of, Manichean struggle in
16 this body for decades.

17 Now, the first time since Social Security passed --
18 and we know when Medicare passed, a whole lot of
19 Republicans bragged about their opposition, including the
20 very respected, later Senator Dole as a House Member
21 then. We know what Newt Gingrich said about Medicare in
22 the 1990s. But we also know that throughout these
23 debates over the decades, the Republicans have been on
24 one side, Democrats have been on another. Democrats want
25 to expand, strengthen Social Security. Republicans have,

1 generally, not so much liked social insurance.

2 Now, the first time sense Social Security passed and
3 FDR signed it -- 2005 when there was a Republican
4 president, a Republican House, and a Republican Senate,
5 the first time the planets lined up so there was a
6 Republican president, House, and Senate, President Bush
7 tried to privatize Social Security. It is almost like
8 his party was waiting from the mid-1930s until the magic
9 day in 2005, when he could push for Social Security
10 privatization. Fortunately, the public, including lots
11 and lots of Republicans in Ohio and all over the country
12 in every one of our states, Republicans, Independents,
13 Democrats pushed back. That was a failure. That effort
14 failed by President Bush, thankfully, especially with
15 what happened in 2007, 2008, and 2009 with Wall Street.

16 So I plan to -- we cannot allow this to happen, Dr.
17 Blahous's appointment. I hope my colleagues will do the
18 right thing and join me in rejecting a far-too
19 ideological and partisan nominee.

20 Thank you, Mr. Chairman.

21 The Chairman. Anybody else care to comment?

22 Senator Carper. Mr. Chairman, could I be
23 recognized?

24 The Chairman. Yes.

25 Senator Carper. I earlier said that I did not

1 plan to speak on this, but I want to share something with
2 all of you.

3 I went Ohio State University. I was a Navy
4 Midshipman there. I get invited back from time to time
5 to Ohio State to speak to groups of students. I was back
6 there about a year or two ago, and we are in a big hotel
7 ballroom with about 500 young men between the ages of 18
8 and say 22.

9 There was a chance for me to talk to them about
10 leadership, about values, and about the future of our
11 country. Near the end of my talk to them, I asked them
12 all a question. I said how many of you think that
13 someday you will receive a Social Security check in your
14 old age? How many of you think you will? Not one of
15 them raised their hand out of 500 young men, not one of
16 them raised their hand.

17 I said how many of you expect that someday you will
18 be eligible for Medicare benefits? Not one out of 500.
19 I said to all of them, my responsibility -- the
20 responsibility of my colleagues and I -- is to make sure
21 that not just your grandparents or parents benefit from
22 Social Security and Medicare during their older age, I
23 want to make sure that is around for you and for your
24 kids too.

25 The folks who were part of the Bowles-Simpson

1 Commission six years or so ago laid out a roadmap for
2 putting Social Security on a sound footing for the next
3 75 years. I thought they had it pretty much right then
4 and still think so today. I would like to see it tweaked
5 a bit in order to look out, particularly, for the truly
6 elderly folks who receive Social Security benefits. But
7 I think they are on the right track.

8 My hope is that we will not wait until the year 2030
9 to do something to extend for three-quarters of a century
10 Social Security. My hope is we will not wait another 15
11 years in order to do that. The longer we wait, I think
12 the harder that job gets.

13 I say that, Mr. Chairman and my colleagues, to
14 acknowledge that just as Social Security was literally on
15 the doorstep for those who were elected in 1982, who came
16 brand new to the U.S. House of Representatives, and found
17 that Social Security was about to go under -- really a
18 serious problem -- I do not think we ought to wait that
19 long. I think it is one of those deals with compounded
20 interest, if we react sooner rather than later, we can
21 better ensure that this program is going to be around for
22 our children, for our grandchildren. Save the program
23 and save it for them.

24 The last thing I would say is, GAO gives us every
25 year their high-risk list. One of the things on their

1 high-risk list is improper payments. Improper payments
2 as money that is -- mistakes that are made and not just
3 fraud, but improper payments. About \$125 billion in
4 improper payments last year -- \$125 billion -- half of
5 that was Medicare. One of the best things that we can do
6 to make sure that Medicare is going to be around long-
7 term is to focus on those improper payments and make sure
8 we reduce those.

9 Thank you very much.

10 The Chairman. I agree with much of what the
11 Senator has said.

12 There is only one Republican out of the six, and
13 that is Blahous. So the distinguished Ranking Member was
14 to vote on each of them separately.

15 Senator Wyden. I do. I want to make sure that any
16 Democratic Senator who would like to speak has that
17 opportunity. And I have requested of the Chairman two
18 recorded votes, one on Dr. Blahous en bloc, because they
19 are nominated for several positions, one on Dr.
20 Reischauer en bloc, two recorded votes, colleagues.

21 The Chairman. I planned on doing that. So let me
22 just say it this way. The nominees each have been
23 nominated to three separate trustee positions. I propose
24 that in each case the nominations for the three positions
25 be considered en bloc, but if you want to vote on them

1 separately, that is fine. In other words, we will have
2 one vote on confirming Dr. Blahous to the three
3 positions, and a second vote on confirming Dr. Reischauer
4 to the three positions. We know both of them.

5 Senator Wyden. That is correct, Mr. Chairman. I
6 just want to check and see if any other Democratic
7 Senator wishes to speak.

8 The Chairman. I thought I did.

9 Senator Wyden. We may just have missed it.

10 The Chairman. Does anybody else want to speak?

11 [No response.]

12 Senator Wyden. We are prepared to go to the votes.

13 The Chairman. All right. First we would entertain
14 a motion to favorably report the Blahous nomination.

15 [Whereupon, a motion and a second were made to
16 favorably report the nomination of Charles P. Blahous
17 III.]

18 The Chairman. Does any Senator require a recorded
19 vote?

20 Senator Wyden. Yes.

21 The Chairman. All right. Then a recorded vote has
22 been requested. The clerk will call the roll.

23 The Clerk. Mr. Grassley?

24 Senator Grassley. Aye.

25 The Clerk. Mr. Crapo?

1 Senator Crapo. Aye.
2 The Clerk. Mr. Roberts?
3 The Chairman. Aye by proxy.
4 The Clerk. Mr. Enzi?
5 The Chairman. Aye by proxy.
6 The Clerk. Mr. Cornyn?
7 The Chairman. Aye by proxy.
8 The Clerk. Mr. Thune?
9 Senator Thune. Aye.
10 The Clerk. Mr. Burr?
11 The Chairman. Aye by proxy.
12 The Clerk. Mr. Isakson?
13 Senator Isakson. Aye.
14 The Clerk. Mr. Portman?
15 The Chairman. Aye by proxy.
16 The Clerk. Mr. Toomey?
17 Senator Toomey. Aye.
18 The Clerk. Mr. Coats?
19 Senator Coats. Aye.
20 The Clerk. Mr. Heller?
21 Senator Heller. Aye.
22 The Clerk. Mr. Scott?
23 Senator Scott. Aye.
24 The Clerk. Mr. Wyden?
25 Senator Wyden. No.

1 The Clerk. Mr. Schumer?
2 Senator Wyden. No by proxy.
3 The Clerk. Ms. Stabenow?
4 Senator Wyden. No by proxy.
5 The Clerk. Ms. Cantwell?
6 Senator Cantwell. No.
7 The Clerk. Mr. Nelson?
8 Senator Wyden. No by proxy.
9 The Clerk. Mr. Menendez?
10 Senator Wyden. No by proxy.
11 The Clerk. Mr. Carper?
12 Senator Carper. No.
13 The Clerk. Mr. Cardin?
14 Senator Cardin. No.
15 The Clerk. Mr. Brown?
16 Senator Brown. No.
17 The Clerk. Mr. Bennet?
18 Senator Bennet. No.
19 The Clerk. Mr. Casey?
20 Senator Casey. No.
21 The Clerk. Mr. Warner?
22 Senator Wyden. No by proxy.
23 The Clerk. Mr. Chairman?
24 The Chairman. Aye. Will you report the vote?
25 The Clerk. Mr. Chairman, the tally of the Members

1 present is 9 ayes, 7 nays. The final tally including
2 proxies is 14 ayes, and 12 nays.

3 The Chairman. Dr. Blahous will be reported.

4 Now let me entertain a motion to favorably report
5 the Reischauer nomination.

6 Senator Grassley. I move.

7 The Chairman. All right. So moved.

8 [Whereupon, a motion and a second were made to
9 favorably report the nomination of Robert D. Reischauer.]

10 Senator Wyden. A recorded vote, Mr. Chairman?

11 The Chairman. There will be a recorded vote. The
12 clerk will call the roll.

13 The Clerk. Mr. Grassley?

14 Senator Grassley. Aye.

15 The Clerk. Mr. Crapo?

16 Senator Crapo. Aye.

17 The Clerk. Mr. Roberts?

18 The Chairman. Aye by proxy.

19 The Clerk. Mr. Enzi?

20 The Chairman. Aye by proxy.

21 The Clerk. Mr. Cornyn?

22 The Chairman. Aye by proxy.

23 The Clerk. Mr. Thune?

24 Senator Thune. Aye.

25 The Clerk. Mr. Burr?

1 The Chairman. Aye by proxy.
2 The Clerk. Mr. Isakson?
3 Senator Isakson. Aye.
4 The Clerk. Mr. Portman?
5 The Chairman. Aye by proxy.
6 The Clerk. Mr. Toomey?
7 Senator Toomey. Aye.
8 The Clerk. Mr. Coats?
9 Senator Coats. Aye.
10 The Clerk. Mr. Heller?
11 Senator Heller. Aye.
12 The Clerk. Mr. Scott?
13 Senator Scott. Aye.
14 The Clerk. Mr. Wyden?
15 Senator Wyden. No.
16 The Clerk. Mr. Schumer?
17 Senator Wyden. No by proxy.
18 The Clerk. Ms. Stabenow?
19 Senator Wyden. No by proxy.
20 The Clerk. Ms. Cantwell?
21 Senator Cantwell. No.
22 The Clerk. Mr. Nelson?
23 Senator Wyden. No by proxy.
24 The Clerk. Mr. Menendez?
25 Senator Wyden. No by proxy.

1 The Clerk. Mr. Carper?
2 Senator Carper. No.
3 The Clerk. Mr. Cardin?
4 Senator Cardin. No.
5 The Clerk. Mr. Brown?
6 Senator Brown. No.
7 The Clerk. Mr. Bennet?
8 Senator Bennet. No.
9 The Clerk. Mr. Casey?
10 Senator Casey. No.
11 The Clerk. Mr. Warner?
12 Senator Wyden. No by proxy.
13 The Clerk. Mr. Chairman?
14 The Chairman. Aye. The Clerk will report the
15 vote.
16 The Clerk. Mr. Chairman, the tally of the Members
17 present is 9 ayes, 7 nays. The final tally including
18 proxies is 14 ayes, and 12 nays.
19 The Chairman. Dr. Reischauer will be reported
20 along with Dr. Blahous.
21 Senator Coats. Mr. Chairman?
22 The Chairman. The Senator from Indiana.
23 Senator Coats. Mr. Chairman, if I could -- I
24 apologize for not being here earlier -- just make a very
25 brief statement.

1 The Chairman. That would be fine.

2 Senator Coats. The Chairman asked me to chair the
3 hearing when Dr. Blahous and Dr. Reischauer were here.
4 Very few members were able to attend.

5 I just want to let my colleagues know -- on the
6 Democrat side -- these two have been a team for a long
7 time. They were remarkably on the same page.

8 Senator Carper, I think, would be happy to learn
9 that they both acknowledge that action needs to be taken,
10 that they have done everything they can. They are united
11 in going forward as a Republican and a Democrat in terms
12 of the situation that currently exists with Social
13 Security, the need to address it, the need to address now
14 so that we do not run into calamity later.

15 So here we have two people with vast experience on
16 the same page. What they did not say because they were
17 polite is that, look, we have recommended all of these
18 things, but we are not Members of the United States
19 Senate, and neither of us is President of the United
20 States. The responsibility falls to us. They have given
21 us the direction.

22 But here we have someone who has sat at this table
23 in total bipartisan, unison in terms of how this
24 commission -- their position should go forward and what
25 they could contribute to it. To me, that is reassuring,

1 and I just wanted my colleagues to know that while few
2 were here to hear all of that, to me, that is comforting.

3 Senator Wyden. Mr. Chairman?

4 The Chairman. Senator Wyden? We will wrap it up.

5 Senator Wyden. Just very quickly so we can wrap
6 up. I would just say to my friend from Indiana -- and we
7 have worked on bipartisan tax reform and a variety of
8 issues -- the argument that is being advanced here is that
9 those two who said they ought to be reappointed and it is
10 bipartisan should take precedence over a bipartisan
11 tradition of 30 years in this committee. That is what I
12 think is a mistake to break with. I think it is a
13 mistake to break with that tradition, and certainly, if
14 two people come before us and they say we work together
15 and we are bipartisan, you can take their arguments
16 anyway you want. I do not think that is a case for our
17 committee breaking with a 30-year tradition.

18 Thank you, Mr. Chairman.

19 The Chairman. Well, as has been the case on
20 supporting the President on both of these nominees --
21 these are his nominees, not mine. So they are reported
22 to the floor and hopefully, we can get them through at
23 that time and keep Social Security going the way some of
24 my colleagues on the other side have wanted it, except
25 that we need to solve the problem of insolvency. I do

1 not hear anything from the other side about how to do
2 that.

3 With that, we will recess until further notice.

4 [Whereupon, at 10:25 a.m., the Committee was
5 adjourned.]

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