

OFFICIAL TRANSCRIPT

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COMMITTEE ON FINANCE

UNITED STATES SENATE

SOCIAL SECURITY FINANCING OPTIONS

EXECUTIVE SESSION

WASHINGTON, D. C.

September 24, 1981

ALDERSON  REPORTING

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EXECUTIVE SESSION ON
SOCIAL SECURITY FINANCING OPTIONS

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THURSDAY, SEPTEMBER 24, 1981

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United States Senate,
Committee on Finance
Washington, D. C.

The committee met, pursuant to call, at 10:50 a.m., in room 2221, Dirksen Senate Office Building, Hon. Robert J. Dole (chairman) presiding.

Present. Senators Dole, Roth, Danforth, Heinz, Wallop, Durenberger, Armstrong, Symms, Grassley, Long, Bentsen, Moynihan, Baucus, Boren, Bradley, and Mitchell.

The Chairman: We have had a meeting of the Republicans, and the Democrats have had a meeting. Senator Danforth would like a vote on his resolution. I wanted to say, before that vote occurs, and I think we can find substantial agreement with what I am about to say, whatever may happen as far as the resolution is concerned, it is the intention of the chairman today to try to work out a mutually satisfactory agreement on interfund borrowing. I think there is no disagreement on either side that notwithstanding the Danforth Resolution, we should probably proceed on that.

1 It may be that Mr. Myers may have some comments on that
2 because it may be that in addition to interfund borrowing,
3 we may also have reallocation of the tax. He indicates that
4 there might be a reason to do both. So that would be a
5 technical matter that we could agree on with the staff's
6 assistance.

7 Secondly, I am prepared to say and indicate that we
8 will offer a proposal for a partial restoration of the
9 minimum benefit. Again, there are a number of options, and
10 I would hope that there might be some or one option that all
11 of us could agree, or most of us could agree on, both
12 Democrats and Republicans. This is not a total restoration,
13 but a partial restoration of that benefit.

14 Again, I have talked with Mr. Myers, and I think he has
15 a good suggestion that would not penalize those who are in
16 need, but would still offer some savings, though not a great
17 deal.

18 Finally, it would be my hope that we could agree on
19 picking out one or two or three of the provisions in the
20 list that has been submitting in order to pay for the
21 restoration, just enough to take care of that.

22 I would hope, and I would ask Senator Long if he
23 believes we might find agreement in those three areas.

24 In addition, I might that the Proxmire Amendment, or
25 the so-called Proxmire Amendment, we are not certain that

1 that in fact does what the distinguished Senator might want
2 it to do.

3 There might be some good reason to expand the number of
4 trustees, that portion might have merit. You might restore
5 some confidence if you enlarge the number from three to
6 seven, and have public members. We will certainly be happy
7 to address that.

8 Am I correct, Senator Long, that these are some areas
9 that we might reach some agreement on as a committee?

10 Senator Long: Mr. Chairman, I think, with regard to
11 some of the main problems, if you or any member here wants
12 to submit suggestions to vote on that would help solve the
13 problems that face us, I believe you will find support on
14 this side of the aisle, not necessarily for all of them but
15 for some of them. I think that those that are most
16 immediate would find the most support.

17 I don't think there is much enthusiasm for the item
18 five here that was suggested after I left the room yesterday
19 -- I had a bad cold, and I am over most of it now I believe
20 -- which indicates that we would try to form a bipartisan
21 group to seek to get the House Ways and Means Committee to
22 join us in proposing something.

23 It seems to us that the burden of leadership falls on
24 the Administration, and to the party that has the President
25 in the White House. We are willing to vote for

1 recommendations that we think are meritorious, but we have
 2 no intention whatever of seeing this fund depleted, or
 3 seeing that the people go without their benefits, and I say
 4 that as one who led the charge for what was described as the
 5 biggest tax increase in history only a couple of years ago.

6 We are perfectly content to pay for whatever benefits
 7 the Congress agrees we should pay, we always have, and we
 8 are willin to do that.

9 There are some problems when you try to provide money
 10 seventy-five years in advance, and then people change their
 11 assumptions on you. Let me just say as the former chairman
 12 of the committee, if we had been shown the same assumptions
 13 that we are shown right now, we would not be doing all this.
 14 We would have provided enough money to pay for all these
 15 things for 75 years when we voted on that big tax increase a
 16 couple of years ago.

17 We are willing to give you the benefit of our thoughts
 18 if you want to seek them, but for us starting this thing of
 19 setting up a bipartisan group, going over to the House to
 20 try to get them to get them to put together a bipartisan
 21 group together to recommend something to the Congress, we
 22 just don't think that that is how we ought to do business.

23 In the first place, we think the Administration has the
 24 burden of making recommendations. They have made a lot of
 25 them. I am willing to vote on everyone of them if someone

1 wants to submit them, and the same thing is true of other
2 Democrats. When we see how those recommendations make out,
3 then we can look at some other possibilities.

4 The Chairman: Senator Danforth would like to be
5 recognized, and then Senator Armstrong.

6 Senator Moynihan, do you want to speak to the
7 resolution?

8 Senator Moynihan: No.

9 Senator Danforth: Mr. Chairman.

10 The Chairman: Senator Danforth.

11 Senator Danforth: Mr. Chairman, I think a draft of the
12 resolution has been passed out. Do you all have a copy of
13 it?

14 There are six points that are listed, but it is my
15 understanding, Senator Dole, that you have stated that
16 regardless of what is done on this resolution, we are going
17 to proceed to authorize interfund borrowing, there is no
18 doubt about that.

19 Secondly, regardless of what we do on this resolution,
20 we are going to address a specific proposal or option for
21 restoring the minimum benefit. Therefore, I would simply
22 delete paragraph 4 of this resolution because all this says
23 is that there is going to be a reexamination as a part of a
24 bipartisan effort.

25 As I understand it, you intend to proceed to the

1 question of the restoration of the minimum benefit
2 forthwith.

3 The Chairman: That is correct.

4 Senator Danforth: Therefore, I would simply delete
5 paragraph 4.

6 Now, I would like to just very briefly explain what
7 this resolution does. Basically, it makes the following
8 points:

9 The first point is that the problem of the social
10 security system is real, and that it must be solved as a
11 problem in and of itself. That is to say, balancing the
12 Federal budget and making the social security system whole
13 are viewed by this committee as being two separate items.
14 If the social security system is going to be fixed that is
15 because it needs to be fixed, and not because we have to
16 achieve some extraneous purpose, however important that
17 purpose is which pertain to the Federal budget.

18 Secondly, the resolution provides that interfund
19 borrowing, which we are going to agree to, and which is
20 important, and which is essential, cannot possibly do the
21 job of fixing the social security system. It is not
22 sufficient. It will not get the job done.

23 The suggestion was made yesterday by Senator Moynihan
24 that we may the word "may" on interfund borrowing. We have
25 heard testimony yesterday, we had several days of hearings

1 in the subcommittee chaired by Senator Armstrong. The
2 evidence is in, the facts are present to enable us to make a
3 decision on the sufficiency of interfund borrowing. The
4 fact of the matter is that even though we are going to have
5 it, this resolution would provide or state that interfund
6 borrowing by itself is not sufficient to fix the problem of
7 social security.

8 The third major point that is made by the resolution is
9 that a successful effort to fix the social security system
10 by the Congress must be a bipartisan effort. This is not a
11 new suggestion on my part, or even a new suggestion on the
12 part of a Republican. It has been very widely recognized by
13 Democrats as well as Republicans in Congress.

14 Chairman Rostenkowski of the Ways and Means Committee
15 has stated, I believe on one of the Sunday talk shows that I
16 saw and probably a number of other times as well, that he
17 hoped that a bipartisan effort could be put together to fix
18 the social security system.

19 In addition, several months ago a meeting was held in
20 Senator Baker's office, attended by 10 or 12 members of the
21 Senate, Democrats and Republicans, Senator Cranston, Senator
22 Long, Senator Moynihan, and others were present. Senator
23 Baker said at that time, "This is just one of those
24 questions that as a practical matter if it is going to be
25 solved, it has to be solved not a partisan basis, not on a

1 party line or political advantage basis, but on the basis of
2 a bipartisan effort." Senator Baker at that time asked for
3 a bipartisan committee to be formed, and he in fact did
4 that, and that was Senator Dole, Senator Long, Senator
5 Moynihan, and Senator Armstrong, as I recall.

6 So the notion of the importance of doing this on a
7 bipartisan basis, the necessity if it is going to be fixed,
8 from a political standpoint has been recognized by Democrats
9 as well as Republicans. There was no dissent at that
10 meeting to the concept of doing it on a bipartisan basis.

11 The President has made proposals, he has made proposals
12 and they have been shot down. Now it seems to me that
13 attention has shifted to the Congress. We can't just
14 criticize the President. We have all done that, Republicans
15 have criticized it, Democrats have criticized it. We have
16 had a chance to vote against various pieces of it. It is
17 not enough just to shoot down somebody else's idea. Now it
18 is the responsibility of the Senate to do what it can to fix
19 the system.

20 Then I would add simply this. One of the real glories
21 of the Senate Finance Committee, and under your leadership,
22 Senator Long, was that perhaps less so than any other
23 committee of the Congress, we were able to proceed on a
24 basis which went beyond the party label. We were able to
25 form a consensus and working agreement in the Finance

1 Committee which were not just divided on one party trying to
2 take advantage of the situation.

3 So I think that this committee, with that tradition, is
4 now in a position to lead the way, to provide leadership on
5 a bipartisan basis for solving a problem which, I think the
6 evidence is overwhelming, simply has to be solved.

7 That is the resolution, and that is the explanation of
8 the resolution. I think that one thing is clear, and that
9 is: if it is going to succeed, it is going to have to be on
10 the basis of not just 11 to nine, with the Republicans
11 voting for it and Democrats voting against it, then there
12 would be a majority on this resolution, but the whole effort
13 to have the bipartisan job done in fixing the social
14 security system would be clearly undercut by the nature of
15 the vote.

16 I have thought out what would happen in the case of an
17 11 to nine vote, or something that was just something that
18 was overwhelming and on a very partisan basis, and I have
19 talked to Senator Dole about it. I think that in that case
20 it is futile, there is no point in going forward with it.
21 So I would intend to drop the question if that were the
22 case.

23 This is an honest effort to get off the dime. This is
24 an honest effort to have some framework, some basis for
25 moving forward with the solution to the social security

1 problems. I would plead with all senators, on my side and
2 on the other side, to vote for this resolution, and then to
3 set in motion a process, an orderly process, a quiet
4 process, a backroom process, if you please, which is the
5 only one that will work, I think, in this case, and try to
6 put together a reasonable agreement, a reasonable basis for
7 fixing the social security system.

8 Would anyone else like to speak?

9 Senator Armstrong.

10 Senator Armstrong: Mr. Acting Chairman, I would like
11 to ask a question of one of the witnesses. We left one item
12 dangling yesterday. I think we established that the
13 long-term deficit in the trust fund is \$1.6 trillion
14 constant dollars. About that I think there is no
15 disagreement.

16 I think we came very close to a point of agreement that
17 interfund borrowing would not be sufficient even in the
18 short run. That is, I believe, the position of Mr. Myers,
19 and Dr. Rivlin distinguished her position and that of CBO
20 slightly. I just want to pursue and question that we did
21 leave somewhat up in the air.

22 Dr. Rivlin, I asked you yesterday for month-by-month
23 figures, and I have heard indirectly that it is really not
24 feasible for you to provide those month-by-month figures, or
25 at least it is not on the shelf.

1 Ms. Rivlin: We don't do month-by-month figures. It is
2 my understanding that the rule of thumb that says you need a
3 12 percent balance at the beginning of the year is to
4 protect you against fluctuations in the month-by-month, so
5 that in no individual month is there any risk of going below
6 9 percent.

7 Mr. Myers has been dealing with these numbers for a lot
8 longer than I have, and I would be happy to let him speak to
9 that.

10 Senator Armstrong: Since we had left that up in the
11 air, I just wanted to go back to the question. Maybe we can
12 fulfill what I was trying to get at by simply recalling the
13 figures which you had submitted earlier, which were
14 predicated on a calendar rather than a fiscal year basis.

15 I don't have in front of me the lowest fiscal year
16 beginning number that you had for the reserve; was that 17?

17 Ms. Rivlin: Seventeen in 1985. The comparable low
18 year on the calendar year basis would be 12.7 for 1985.

19 Senator Armstrong: Did all of my colleagues on the
20 committee get the import of what Dr. Rivlin has just said?

21 Yesterday we were trying to reconcile what social
22 security was presenting and what CBO was presenting. Would
23 you state again the difference between your fiscal year
24 estimates and your calendar year estimates for the amount of
25 the reserve fund at the beginning of the year?

1 Ms. Rivlin: Yes. To take 1985 as an example, because
2 it is the low year, it is the worry point, the balance we
3 estimate for the combined fund at the start of calendar '85
4 would be 12.7 which corresponds to a 17.2 for Fiscal-85.

5 Senator Armstrong: I think that nails down the point I
6 wanted to make.

7 There is one additional detail that I think we should
8 have in the record of this proceeding. Am I correct, Dr.
9 Rivlin, that your 12.7 figure is the combined OAS-DI-HI
10 figure? In other words, it, in effect, assumes interfund
11 borrowing?

12 Ms. Rivlin: It assumes interfund borrowing, and it
13 assumes the full reconciliation saving.

14 Senator Armstrong: Exactly my next question. Included
15 in the reconciliation saving was a substantial amount of
16 saving arising from doing away with the minimum benefit.

17 Ms. Rivlin: That is right.

18 Senator Armstrong: It is my belief, and I think it is
19 the unanimous opinion of this committee that in one way or
20 another we are going to restore part of the minimum
21 benefit. If that is the case, then the 12.7 figure, which
22 you have shown here, would actually be somewhat less than
23 that?

24 Ms. Rivlin: That is right.

25 Senator Armstrong: I don't know how much less. Do you

1 have on the tip of your tongue how much less it would be?

2 Ms. Rivlin: It would be at least 1.5 percent, I
3 guess.

4 Senator Armstrong: It is 1.5 percent less.

5 Ms. Rivlin: We can give you an estimate on that, but
6 it would be around 11.

7 Senator Armstrong: So it would be 11 rather than
8 12.7.

9 Ms. Rivlin: Before we get tied to that, let me check
10 with my staff. It is about right.

11 Senator Armstrong: The final point I wanted to make on
12 this issue, because it does put into perspective that there
13 is little real disagreement among the experts on the
14 figures. At an 11 percent reserve ratio, if for some reason
15 the course of the economy even wobbled, it wouldn't have to
16 turn up or down, if it just jiggled a little, we could
17 easily dip below a point of solvency faster than the
18 Congress could know that it was happening, consider
19 corrective action, and actually enact whatever changes were
20 necessary.

21 In other words, if this were to happen at a time when
22 we were preoccupied with something else, it could easily
23 sneak up on us, and actually happen before we could enact
24 legislation that would fix the problem.

25 Ms. Rivlin: Yes, I think that would be a fair

1 statement.

2 Senator Armstrong: I hope my colleagues will consider
3 that very, very seriously, because if there is remaining any
4 shade of disagreement between CBO and Social Security, it is
5 not very plain to me. What we are really talking about
6 here, what we are really talking about is not what is
7 prudent, because we are way beyond that now, we are not at
8 100 percent reserve ratio or 50 percent.

9 For the members of the committee who were not present
10 yesterday, I would just like to recall the testimony that
11 from 1940 to 1970 the reserve ratio in the fund never dipped
12 below 100 percent, it never went below 100 percent. It did
13 go below 100 percent in 1970. In the middle 1970s, for the
14 first time, it went below 50 percent. Now we are talking
15 about whether or not by the mid-1980s it is going to be at
16 12.7 percent or 11 percent. We are talking literally when
17 the last dollar is going to be spend. Now, this is not a
18 standard of prudence.

19 Mr. Chairman, I would like to take a moment to just
20 compliment the Senator from Missouri for his resolution, and
21 to express my wholehearted support for it, and to just
22 explain this one aspect of why I think it is so much
23 needed.

24 We have been moving along trying to put together a
25 bill, and in fact working with the other body in a

1 bipartisan way. As the chairman knows, and I think most
2 members of the committee know, the subcommittee of Ways and
3 Means chaired by Representative Pickel has really been
4 moving with a very thoughtful, statesman-like approach, and
5 a bipartisan approach involving, I think, every member of
6 that subcommittee. We have been trying to do the same thing
7 in this committee.

8 In addition, a number of senators, who are not members
9 of this committee, from both sides of the aisle have come
10 forward with proposals. I mentioned yesterday a number of
11 senators who had advanced thoughtful suggestions: Senator
12 Hollings, Senator Childs, many members of this committee,
13 and others.

14 A few days ago the Speaker of the House made a
15 statement which really knocks our plan to put together on
16 any basis into a cocked hat. It just blows out of the water
17 the efforts that have been going forward. Realistically for
18 the Senate to proceed in the face of what he has said just
19 invites the Senate to waste a lot of time, raise a lot of
20 false hope that we are going to cope with this.

21 So I think that the resolution which the Senator from
22 Missouri has suggested really is in the best spirit of what
23 is already at work in the hope that we can appeal to the
24 leaders of the House to join us in this effort.

25 If we fail to do that, if this resolution is not

1 approved, then it is my expectation that we will simply put
2 off any meaningful reform of social security for sometime.
3 We will do interfund borrowing, and some of us may go out of
4 this room and say, "Well, interfund borrowing is enough,"
5 although in my judgment the facts really show to the
6 contrary.

7 So I join in the appeal that Senator Danforth has
8 made. I hope we will adopt this, and that in doing so we
9 will set the stage for passing a bill. We all know, however
10 we sugarcoat it that if we are talking about more than just
11 routine, stop-gap interfund borrowing, which will probably
12 bring us back here by no later than the end of next year or
13 early the following year to face than the consequences. If
14 we want to do more than that, we have got to have the kind
15 of an approach that Senator Danforth has suggested.

16 Senator Heinz: Mr. Chairman.

17 The Chairman: I have promised Senator Moynihan.

18 Senator Moynihan: I will be happy to yield to my
19 colleague from Pennsylvania.

20 Senator Heinz: I thank my good friend from New York.

21 Mr. Chairman, I seek this time not to prolong the
22 deliberations of the committee, but to try and make clear
23 for the record, I think, some facts that have really not
24 been given sufficient attention. I do this because I am a
25 strong supporter of Jack Danforth's resolution, and I hope

1 that indeed the entire committee will vote for it.

2 The first paragraph of the resolution says that the
3 social security system faces both short term and long term
4 financial problems. Frankly, that is true, but I believe
5 that is an overly optimistic assessment. What I mean by
6 that is that there are really three problems that social
7 security faces, and they are: Once we cross the bridge to
8 interfund borrowing as we should and will, the third problem
9 which we really haven't focused on, I don't think, so far
10 becomes not only critical but inescapable.

11 Last night I asked the staff of the Special Committee
12 on Aging, which is a very bipartisan, non-partisan staff, to
13 go through the numbers on the combined trust funds, the Old
14 Age Survivors, the Disability, and most importantly the
15 Health Insurance Fund. I said, I would like the numbers run
16 out through 1995.

17 They went to the office of the actuary, and they came
18 back with the somewhat startling information that you can't
19 get numbers for the HI trust fund as far out as 1995 because
20 those trust funds run such a deficit, depending on your
21 economic assumptions of '91, '92, or '93, that the actuary
22 doesn't assume they exist any longer because of the hopeless
23 situation that exists.

24 We don't have to, unfortunately, look as far out as
25 1991, however, to see what the problems in the HI fund do.

1 As I understand the conventional wisdom we have been
2 operating under, we have been assuming that we get into some
3 problems around 1983, 1984, 1985, depending on the
4 assumptions, and if we are lucky we can get through, and if
5 we can just somehow make it until 1986 or 1987, everything
6 will be all right.

7 I would like to pose some questions to Mr. Myers or Dr.
8 Rivlin. Is it or is not the case that if you take the
9 present law, that is to say the law with the reconciliation
10 changes as a part of that, and you take the CBO pessimistic,
11 which is a lot better than the Administration's worst case
12 estimate and which from the standpoint of the growth of real
13 wages is a lot better than our experience over the last five
14 years, is it not the case that not only do the trust funds
15 run out of money on a combined basis at the beginning of
16 1984 -- I say runout because they drop below 12 percent.
17 But the situation steadily gets worse each and every year
18 through 1990, that it goes from 11 percent to 5 percent, to
19 3 percent, to 2 percent, and to minus 1, to minus 4, to
20 minus 8. Under the CBO pessimistic assumption, is that not
21 the case?

22 Ms. Rivlin: That is correct.

23 Senator Heinz: So if we were simply to engage in
24 interfund borrowing, which we are going to do, and if we
25 made no changes, or if we made some changes that were

1 revenue neutral, the problem would get critical in 1984
2 under CBO's pessimistic assumptions, and would get steadily
3 worse thereafter.

4 Mr. Myers, would you agree with that as well?

5 Mr. Myers: Yes, sir.

6 Senator Heinz: Let's take a slightly more optimistic
7 set of assumptions, intermediate 2(b), which I think what
8 you have worked with. Under that set of circumstances, you
9 don't drop below 12 percent until 1989, but at 1989, 1990,
10 and so on, is it not true that the situation gets steadily
11 worse beginning in 1989 under intermediate 2(b)?

12 Mr. Myers: Yes, that is correct, Senator, and that is
13 just assuming that you do nothing with present law. If you
14 have added costs because of restoring the minimum, you are
15 in difficulty sooner.

16 Senator Heinz: Is it not the case that if we were to
17 restore the minimum benefit only for the beneficiaries
18 currently eligible, the same situation under 2(b) would
19 happen but it would happen sooner, in 1987.

20 Mr. Myers: That is correct, Senator.

21 Senator Heinz: Mr. Chairman, what I hope we have
22 established a record on is this, that it has been
23 convenient, and I have been a part of it, I must say, and I
24 may have misled other people myself intentionally in talking
25 about the short term problem and the long term problem. The

1 long term problem is that one out in 2025 or 2035 when the
2 demographics catch up with us. The short term problem that
3 we talk about conveniently is the Old Age and Survivors Fund
4 shortfall. But I hope every single one of my colleagues has
5 listened to what Dr. Rivlin and Mr. Myers have just said
6 about what happens to us much, much sooner than the year
7 2035 if we get through 1983 on the OAS.

8 That is, we have absolutely critical problems, which I
9 believe we can solve, and the sooner we act to solve them,
10 the easier it will be on all concerned, because of the very
11 serious financial problems that the Health Insurance Fund
12 will encounter, and they will be encountering their problems
13 in the mid-80s, but the effect on the combined funds will
14 only become critically apparent in terms of cutting off
15 checks until somewhat later.

16 So I would not seek any changes in Senator Danforth's
17 resolution, but I would hope that those of us who are
18 supporting it, or those who might oppose it, would realize
19 that the problem is a bit more complex than is set forth
20 here, and a bit more critical in this senator's judgment.

21 I think it would be a travesty. I think it would heap
22 ridicule on the United States Senate if knowing what we now
23 know about the problems the combined trust fund with
24 interfund borrowing will encounter under any reasonable set
25 of economic assumptions by the end of this decade, which is

1 only eight years away, that we would be doing ourselves, our
2 constituents, our senior citizens in this country a
3 disservice if we did not recognize this problem and reassure
4 people that we are determined to do something about it.

5 I hope my colleagues realize that these numbers are not
6 phony numbers, and they are terribly important that we come
7 to grips with.

8 Thank you, Mr. Chairman.

9 The Chairman: Thank you, Senator Heinz. I think you
10 are exactly correct.

11 Senator Moynihan.

12 Senator Moynihan: Thank you, Mr. Chairman.

13 Let me respond to each of my colleagues and friends who
14 spoke on this matter. First to say about the resolution of
15 the Senator from Missouri that there is one huge gap in the
16 proposition. The Administration does not exist in the
17 context in which it is proposed we discuss this matter. The
18 Senate and the House on a bipartisan basis must do it, but
19 the Administration, the President has no role in it. He is
20 a passive on-looker. Having no doubt started with that
21 message of May 10, suddenly he disappears.

22 The Chairman: That is called separation of powers.

23 Senator Moynihan: Separation of powers.

24 (General laughter.)

25 Senator Moynihan: The front page of all our papers

1 today report, and this has changed the atmosphere overnight,
2 and I have to tell my friend Senator Danforth that it has.
3 The front page, the lead story in most of our papers today
4 say, and I quote the New York Times as the one closest at
5 hand to me, "Reagan, reluctant to commit himself to \$16
6 billion cuts, talks to nation tonight. President decides
7 not to put off rise in pensions, but to seek other
8 deferrals." Inside there is a story by Mr. Stephen R.
9 Weissman.

10 The President's advisors were hoping that eventually
11 the President could muster the political support in Congress
12 for future cutbacks in social security. They said, however,
13 that Mr. Reagan's comments on the subject tomorrow would
14 probably not go beyond accusations that Democrats are
15 playing politics with the issue, scaring older people in the
16 process." Now, I certainly don't want to frighten any old
17 persons.

18 Sir, who began the talk of the biggest bankruptcy in
19 history? Mr. Stockman, am I correct? Does anyone want to
20 say otherwise? Who said, "Next November there will be the
21 biggest bankruptcy in the history"? Who said, "We are short
22 \$1.6 trillion"?

23 Senator Armstrong: Everybody that has looked at it has
24 said that.

25 Senator Moynihan: If the gentleman will have the

1 kindness, I am soon to agree with him.

2 If we are going to have a situation where we are asked
3 for bipartisanship in this committee, while the President
4 accuses us of playing politics, that is called a double
5 game, and we are not the oldest political party in the world
6 to be able to recognize it.

7 The second point, sir. In 1977, it happens that I
8 handled the social security legislation as it was voted for
9 on the Senate floor. We got seven Republican votes.

10 The Chairman: It was a bad bill.

11 Senator Moynihan: No doubt that was the judgment of
12 our distinguished chairman because he was not one of the
13 seven.

14 Senator Heinz: Do you have a list of the members of
15 the Finance Committee?

16 Senator Bradley: You were paired.

17 Senator Heinz: For or against?

18 Senator Moynihan: It says you were paired for, but
19 also Senator Leheigh was paired for. Senator Danforth voted
20 for it.

21 There having been no bipartisanship in the past, and if
22 from the very day that it is proposed that we proceed, the
23 White House announces that it is going to simply accuse us
24 of what it has been doing, I don't think that this is
25 possible.

1 I want to say to the Senator from Colorado, you are
2 right, there is \$1.6 trillion missing, and here is your
3 opportunity to fix it up.

4 I want to say to the Senator from Pennsylvania that,
5 indeed, the majority of this committee has an opportunity to
6 see that they present legislation that is not a travesty,
7 and will not, in your terms, heap ridicule on this
8 committee. Just find the \$1.6 trillion, sir, you find that,
9 which will not be travesty or inviting ridicule, and present
10 it to us, and we will respond.

11 The Chairman: I think I agreed to recognize Senator
12 Bradley.

13 Senator Moynihan: Could I make one more point, Mr.
14 Chairman. Just as a concluding point on the question of the
15 history of this experience. The point is, we have had a
16 maturing of the social insurance system, and if anybody
17 wants to be responsible in inquiring into it, one recognizes
18 that in the early stages of a social insurance system there
19 are huge reserves from all taxes, great benefits to people
20 who come in. Only slowly do the reserves come down to a
21 narrow point, and the point is reached where the persons get
22 back more than they put in. It takes about a half a century
23 for these things to happen.

24 For what it is worth, and for anybody who wants to make
25 a speech on the subject, in 1950, under President Truman,

1 the trust funds had more than 12.5 years reserves. In 1960,
2 after eight years of Republican misrule, they were down to
3 less than two years. Do we want that sort of thing to
4 happen on this committee, we can have lots of it. If we
5 want to talk about a social insurance system that is going
6 through normal progressions of one, we can talk in those
7 terms, too.

8 The Chairman: Senator Grassley, and then Senator
9 Bradley, and Senator Bentsen.

10 Senator Grassley: Mr. Chairman, members of the
11 committee, I did not really come here prepared to say
12 anything because, based upon the environment we were working
13 in of bipartisanship yesterday, I really did not think that
14 this resolution would run into any problems. I thought
15 there was just a general understanding of what the problem
16 was, that it would pass without too much problem, and we
17 would be on our way of getting this solved. Obviously that
18 is not the case.

19 I think, since Senator Moynihan brought up the question
20 of bipartisanship, I feel compelled to respond to that,
21 although I don't think I like responding to my friend, the
22 Senator from New York.

23 I think that you probably could have just read for us
24 the very same speech, it is the last speech in the debate in
25 1977 on the House floor, when the Speaker of the House, Tip

1 O'Neill, came down from the chair and spoke. He raised the
2 very same point you did about bipartisanship, and why this
3 problem was before us. He said, "I will tell you why this
4 problem is before us, it is because you Republicans raised
5 the issue, and it scared all the senior citizens of America
6 that they may not get their social security check, so we
7 have got to do something."

8 You are raising the point of why are people on this
9 side of the aisle, or you said Mr. Stockman raised the fear
10 in people's minds, we must do something. I think we ought
11 to remember that prior to 1977, and when there was finally
12 the issue forced to the floor of the House, it was because
13 President Ford had proposed a tax increase to get us over
14 this hurdle.

15 There were people like Barber Conable in the House who
16 came forth with a plan to awake this Congress to the
17 problems of social security that everybody agrees now was a
18 problem in 1977, and should be addressed. There was an
19 effort by Republicans at that particular time to raise
20 public discussion and to get some sort of a bipartisan
21 solution to it.

22 I think other people on the Republican side are now
23 doing that. I think there is an effort to avoid the pitfall
24 that came in 1977, and to work out something that can be
25 mutually worked out.

1 I, too, voted against that bill in 1977. But in the
2 same vein, when the Republicans did come forward at a time
3 when there was a crisis situation, we did not have the
4 response that we should have had, and when it was finally
5 solved, the situation was a greater problem.

6 I think what we are doing now, when we know we have a
7 two or three year lead time, is to try to get this sort of a
8 solution at this time.

9 I suppose I would have to admit to you as a Republican,
10 to be perfectly candid, I would like to have this sort of
11 bipartisanship because it is going to make my job in my
12 state, with a third percentage of senior citizens of a total
13 population after Florida and Arkansas I understand. I would
14 like to have that sort of bipartisanship.

15 I think an acknowledgement that social security is such
16 an integral part of the fabric of American society that no
17 longer can we be playing politics with it. So I would like
18 ask the Senator from New York, not in the form of a
19 question, but in the form of his trying to understanding
20 today's discussion in the historical context, I think
21 Republicans have shown the lead of bringing forth what the
22 problem is, and I don't think we have to apologize to
23 anybody for that.

24 Senator Moynihan: You certainly don't have to
25 apologize for President Ford.

1 The Chairman: I am willing to recognize everyone, but
2 we do hope to have a vote on this before noon, and also,
3 depending on that, to have some agreement on the other three
4 matters that I discussed earlier, to give the staff sometime
5 to put it together, so that we might have a final vote this
6 afternoon.

7 Senator Bradley.

8 Senator Bradley: Mr. Chairman, I would simply ask out
9 of curiosity, did you vote for the social security tax
10 increase in 1977?

11 Senator Grassley: No, I said I didn't.

12 Senator Bradley: You didn't.

13 Senator Grassley: No, and I just now said so.

14 Senator Bradley: I would be curious if Senator
15 Armstrong voted for the increase in 1977?

16 Senator Armstrong: I would say to my colleague, I
17 think you are looking at probably the only sitting member of
18 the Congress that ever voted against a social security
19 benefit increase. I did not vote for the last round of
20 that, and I didn't vote for the tax increase either.

21 What I am saying is this --

22 Senator Bradley: I just asked the question, Senator.

23 Senator Armstrong: May I have one more word?

24 Senator Bradley: Yes.

25 Senator Armstrong: Since we have had a bipartisan

1 coalition to raise the benefits, I am just saying that we
2 ought to have a bipartisan coalition to solve the problem.

3 Senator Bradley: I think that those two points are
4 instructive. In the call of bipartisanship, when the shoe
5 was on the other foot, there was not the response. I think
6 also that there has been a call of bipartisanship any number
7 of times on the debt limit bill.

8 The Chairman: I would like to press for that right
9 now, if I could.

10 (General laughter.)

11 Senator Bradley: Any of members on the other side were
12 not forthcoming even though the government might have
13 stopped functioning.

14 I would hope for some rational discussion of these
15 issues, and I think that can take place in the committee
16 process. If you are talking about politics, this resolution
17 is extremely political. Why the resolution? Why going
18 outside the committee process? Why establishing some task
19 force somewhere that is going to meet not in open session?
20 In my view, that is known as political cover.

21 This is an issue that is so important to American
22 people that there ought to be open debate. The majority
23 calls for bipartisanship, but not one member on the majority
24 lays out a program tha he stands behind. I think that that
25 is political cover.

1 The other point about this resolution is, we are again
2 dealing with the two sets of books problem. We just passed
3 the biggest tax cut in history, and also sizable budget cuts
4 that were based upon certain assumption that as a result of
5 the tax cut and the budget cuts we would have growth, lower
6 inflation, lower unemployment.

7 Now, less than one month after that is passed, we are
8 coming back and saying, "Now, all of these things are not
9 going to work. They are not going to work, and the economy
10 is going to be so bad we are going to need more cuts in
11 social security."

12 So one way to construe a vote for this resolution is
13 that it is a vote and an admission that the President's
14 economic program is a failure, and that it won't work, and
15 because it won't work we are going to have to seek greater
16 cuts in social security.

17 I would hope that we could get to the issues of social
18 security, and discuss them in the committee. Let's hear
19 people's propositions. The Senator said that it would not
20 be appropriate to pass an 11 to nine vote, the votes of the
21 very committee members themselves on other issues in which
22 bipartisanship was requested on social security would
23 indicate that it is indeed how it passed in 1977.

24 I think that this resolution violates the committee
25 process by its political cover. It states that the

1 President's economic program is a failure. I would hope
2 that we would not adopt it, although it might be interesting
3 if we amended to say that this committee would not recommend
4 any cuts in early retiree benefits, or would not require any
5 cuts in cost of living increases. That might be an
6 interesting amendment, but to do that would be to
7 participate in this political cover charade.

8 The Chairman: Senator Bentsen.

9 Senator Bentsen: Let me comment again on the numbers
10 were are talking about as far as the availability in the way
11 of reserves. In addition to the numbers that the Senator
12 from Colorado cited, we also have the numbers that if we
13 accepted the Administration's economic projections as to
14 what was going to happen to the economy, and we would
15 certainly have sufficient funds with the interfunding to
16 carry us as long as the projections happen to be of this
17 Administration.

18 Let me further cite that the gentleman from Colorado
19 cited a list of names as to people who had come up with
20 recommendations. I thought it was interesting, as I
21 listened to the names, he commended the Congressman from
22 Texas, Congressman Pickel for the proposals he had made, the
23 affirmative proposals. Then he talked about Senator
24 Hollings. Then he talked about Senator Childs' proposals.
25 But I did not hear one Republican proposal. I did not hear

1 him cite one Republican name.

2 Then I listened to my friend from Missouri, Senator
3 Danforth, talk about the President's proposals and his
4 recommendations, and how they were shot down. But I listened
5 to the Administration's witness yesterday absolutely disavow
6 them as recommendations and proposals, and say, no, these
7 are a series of options to be considered. That was the way
8 it was stated.

9 Then I heard the Senator from New York talk about the
10 vote in 1977, which could hardly be called a bipartisan
11 vote. It called for an increase in the tax, and six or
12 seven Republicans voted for it.

13 Gentlemen, you are the majority party, why don't you
14 act like a majority party, and face up to the responsibility
15 that goes with being the majority party, and make the
16 proposals that have to be made. I am ready to see you make
17 your proposals, and let's get on with some voting here.

18 Thank you.

19 The Chairman: Senator Baucus.

20 Senator Baucus: Mr. Chairman, I would like to follow
21 on Senator Bentsen's point, it is the one I was going to
22 make.

23 I think we are doing ourselves a better service, and
24 certainly the country a better service if we get on with
25 this, and address some specific proposals.

1 I think, in all candor, the resolution that is before
2 us now is putting the cart before the horse, and we are not
3 going to know there is bipartisanship until we know what the
4 proposals are. We are individual senators representing
5 separate states, affiliated with different parties. We
6 don't know if we are going to agree or disagree until we
7 know what the proposals are.

8 The fact of the matter is, the resources for presenting
9 proposals, and certainly the responsibility for presenting
10 proposals lies with the Administration. The Administration
11 has the resources. The Administration in our free form of
12 government is charged, and historically has provided
13 proposals in this area.

14 The fact of the matter is that the Republican Party is
15 the majority party in the Senate, and they, therefore, have
16 the resources. They do have the responsibility to provide
17 proposals. So I suggest that the majority party and the
18 Administration provide those proposals, then we as
19 Democrats, we as individual senators can respond whether we
20 agree or disagree. If there is bipartisanship, so be it, and
21 if there is not, so be it, as we have our own separate
22 responsibilities under the Constitution and according to our
23 own conscience as well.

24 So I suggest that some of this talk is irrelevant
25 because we don't know what the proposals are. I strongly

1 urge the majority to provide some proposals, and that the
2 Administration provide some concrete proposals as well.

3 The Chairman: Could I just say one word, and then I
4 will yield to Senator Danforth.

5 I certainly understand everyone's statement. I don't
6 quarrel with anyone because this is a very sensitive matter,
7 and it is political. But I would say as chairman of the
8 committee, notwithstanding the vote in 1977, I do have a
9 good working relationship with the Chairman of the Ways and
10 Means Committee, and I do say very sincerely that I think he
11 genuinely would like to work out something. Now it means
12 bipartisanship if, in fact, it can be accomplished.

13 It may not happen, but it seemed to me, at least in my
14 position, to advance, let us say, ten points would in effect
15 preempt any real effort to work out a program. I would only
16 say to my friend from Montana that that is one reason that
17 this senator has not plotted out a Dole plan, although I did
18 lay before the committee a total of 15 different options,
19 which I believe should and could be considered. I think
20 many of them would have bipartisan support.

21 I am not prepared to say that just because a Republican
22 offered it, every Democrat is going to vote against it. If
23 you go back and look at the '77 Act, and the committee
24 votes, I think you will find a number of times where they
25 were unanimous when Senator Long or someone would make a

1 motion. We are not really tearing away at that
2 bipartisanship, but I can understand the larger picture.

3 I just hope that we can vote on this.

4 Senator Danforth: Mr. Chairman, I think that is
5 right. I think the time has come to wind it up. Let me say
6 that clearly the debate this morning has not been proceeding
7 in the vein that I hoped it would when we finished work
8 yesterday.

9 I had honestly viewed this as the one practical hope to
10 have a bill this year to fix the social security system.
11 The idea of the resolution, I can assure Senator Moynihan,
12 Senator Bradley, and everybody else, Senator Bentsen,
13 Senator Baucus, was not some set up between the
14 Administration and Senator Dole on how can the Republicans
15 bag the Democrats. In fact, the first draft of it was
16 longhanded yesterday as I sat here.

17 I have enjoyed in the almost five years I have been
18 here an excellent relationship with people on the other side
19 of the aisle. Countless times we worked together in efforts
20 that have been truly bipartisan. I did not ask Senator
21 Moynihan about partisanship, and he did not ask me, when we
22 worked together on trade adjustment assistance, programs,
23 tax programs to try to get employment opportunities in areas
24 of high unemployment, and so on.

25 It seems to me that in a closely divided Senate, where.

1 there is a four vote majority, with a Democratic House, and
2 with the possibility of filibuster in the Senate, really
3 this kind of approach is the only type of approach that has
4 any possibility of working.

5 I think if we don't proceed in this vein, then there is
6 just no real chance of getting the social security bill. I
7 think all it is is to just keep on a lot of rhetoric. It is
8 just keeping on making political points. It is just
9 wonderful, Gosh, I would love it, too, if I were on the
10 other side, the opportunity to really wring it out of the
11 Republicans.

12 Do we have a problem with the social security system or
13 don't we, and if we do, can we fix it. I really think that
14 if we don't adopt the resolution, the answer to the question
15 is, no, we can't as a practical matter. All we are going to
16 get is interfund borrowing.

17 In Missouri, I get it all the time, people ask me,
18 "Will there be a social security system when I retire?" The
19 answer I have always given in the past is, "Yes, we will
20 take care of it. One way or the other, we will take care of
21 it." I believe now that the answer has got to be "Maybe."
22 If our guess is right, if our guess is right that interfund
23 borrowing is enough, then we will be okay, let's keep our
24 fingers crossed, but I just don't think that that is the way
25 to do it.

1 So, Mr. Chairman, let's just proceed with the vote, if
2 we can. I know how it is going to come out.

3 The Chairman: Senator Boren, and Senator Mitchell.

4 Senator Boren: Mr. Chairman, I am sorry I missed some
5 of the earlier discussion, but before we vote I want to say
6 to Senator Danforth that I am very much in sympathy with
7 many of the things he just said. Perhaps others have a
8 different reading than I have. I have two feelings about
9 it.

10 One, I wanted to come to the Senate because I wanted to
11 perform a public service, and meet my responsibilities. I
12 don't believe that interfund borrowing by itself will solve
13 the problem. I think if we do nothing but have interfund
14 borrowing, we cannot go home and honestly answer to the
15 young people that we are going to have a system in the
16 future, nor do I think we can assure the senior citizens,
17 who question me at every stop when I go home, that we are
18 going to have a secure social security system even over the
19 next five years.

20 I don't believe I can say that with certainty. I
21 believe that it is my responsibility to try to do more than
22 that, to try to do more to improve the system. This is one
23 senator who is going to vote to do more than that, is
24 prepared to vote to do more than that. I am certainly
25 prepared to vote to say that interfund borrowing by itself

1 is not enough, intellectually I know it, in conscience I
2 know it, and I am not going to go back and say to the people
3 of my state that I did not try to meet my responsibility to
4 them as a senator.

5 I think also the sides conscience is very poor
6 politics. Maybe one year can go by, or two years can go by,
7 but then every person who doesn't really attempt to do what
8 is necessary for the system is going to be held ultimately
9 accountable for serious problems when they do develop, and I
10 don't want to go back and face that responsibility. I don't
11 think that it is politically wise for anyone to want to go
12 back and accept the responsibility for failure to have the
13 sense of responsibility to face up to it.

14 I don't think that we ought to play politics with it,
15 and I am not going to play politics with it.

16 I do have one misgiving about this resolution, and it
17 is the only thing that would keep me from voting for it. I
18 don't know that we should have a task force appointed, and I
19 want to raise this question to you and see if you might
20 modify your proposal.

21 We have a subcommittee chaired by Senator Armstrong on
22 this subject. I think the ranking member on our side is a
23 member of that subcommittee, and the chairman is a member of
24 that subcommittee, or certainly would be ex officio. Rather
25 than appoint some special task for and put the entire burden

1 on that task force, I would suggest that you change your
2 resolution and ask the subcommittee, which is a duly
3 constituted normal function of this committee, to report
4 back by October 2 a series of recommendations. Maybe some
5 of these will be totally bipartisan and totally unanimous.
6 On others, we may have a majority and a minority report on
7 some of the individual suggestions. Take votes in the
8 subcommittee, go with those that are unanimous, present
9 majority and minority reports on the others, present those
10 to the committee, and vote them up or down, and proceed to
11 meet our responsibility.

12 If Senator Danforth would be open to that kind of an
13 amendment to his resolution, I can tell him that there will
14 not be a straight party line vote on the resolution, nor do
15 I think that there should be. I think we should meet our
16 responsibility. I would hope that you would consider not
17 going outside the regular committee structure in facing
18 this.

19 The Chairman: I might say, for the record, that the
20 members of that subcommittee are: Senator Armstrong as
21 chairman, Senator Moynihan, Senator Boren, Long,
22 Durenberger, Danforth, and myself.

23 Senator Danforth: My thought in having it exactly even
24 was that that was the approach that Senator Baker took in
25 his office, and it seemed to be agreeable to everybody at

1 that time. That would be equally bipartisan than what you
2 suggest. It would seem to me to be the best approach.

3 Would I consider it, sure.

4 Senator Boren: I would hope you would. I am not being
5 facetious here, but you are in the majority party now, there
6 are certain benefits that go to being in the majority.

7 While I think the minority should be responsible and assume
8 its proportionate share of the responsibility, I think that
9 it is a more appropriate way to proceed.

10 Senator Bentsen: Are you talking about a substitute
11 for paragraph 5, that you go back to the subcommittee.

12 Senator Boren: Yes, paragraph 5. That subcommittee
13 work on it, and that the subcommittee report back.

14 Senator Bentsen: That is fine with me.

15 The Chairman: You would change in both paragraph the
16 task force for the subcommittee.

17 Senator Boren: Right.

18 Senator Danforth: Yes, I would accept it. Clearly, I
19 would prefer it to be equal, and I think the changes of
20 success would be better if it were equal.

21 The Chairman: You could add one additional Democrat
22 for that purpose.

23 Senator Boren: It would be fine with me to say that
24 the subcommittee should talk with the House as well.

25 The Chairman: You would change it in both places.

1 Senator Boren: Change task force for subcommittee.

2 Senator Danforth: All right.

3 Senator Roth: Could I ask the chairman, because I am
4 not clear. How would you modify it so that it would include
5 the House?

6 It seems to me that there is great merit, if we are
7 really going to try to do something constructive. Very
8 frankly, I think that it requires additional revenue of some
9 sort. I sometime ago thought it should be the windfall
10 profits tax.

11 It seems to me that under our Constitution, that
12 approach is initiated on the House side, and we ought to
13 make certain that there is some kind of a liaison or joint
14 approach with the House side.

15 The Chairman: I don't think it makes any difference.
16 My own view is that we can proceed. We may walk over there
17 and find out in ten minutes that we are wasting our time.
18 We would not even have to walk, we probably could call and a
19 save a trip.

20 I think Senator Boren's point is a good one, and we do
21 have a duly constituted subcommittee. I have enough
22 confidence in the subcommittee that they can accomplish
23 everything that the same group might do as a task force.

24 I said, Senator Roth, before you arrived, that I have
25 had some very good discussions with the Chairman of the Ways

1 and Means Committee, and I am convinced that he genuinely
2 wants to do something this year. He wants the
3 Administration on board, and I think that point is well
4 taken. Why should the Congress stick their neck out if the
5 Administration is not going to support what we might agree
6 upon. So there is no misunderstanding about that.

7 Senator Mitchell.

8 Senator Mitchell: Mr. Chairman, I would like to make a
9 comment about the resolution itself, which has not been much
10 discussed in all the discussion about how we should vote on
11 it.

12 The first paragraph makes the point that there are two
13 problems, one short term and one long term, which are
14 separate and distinct from the problems of the Federal
15 budget. But it is clear also that they are separate and
16 distinct from themselves. It is not an identical problem.
17 It then discusses a single solution to what are separate
18 problems.

19 As far as paragraph 3 is concerned, while it may be
20 clear that interfund borrowing will not be sufficient to
21 deal with the long term problem, it is not clear from all of
22 the testimony that we received here yesterday that interfund
23 borrowing will not be sufficient to deal with the short term
24 problem. That depends upon the performance of the economy
25 over the next several years.

1 Indeed, the testimony was unanimous, and it is an
2 undisputed fact that if the economy performs as the
3 Administration has projected, interfund borrowing will be
4 sufficient to deal with the short term problem. It is also
5 clear that if the economy performs not even that well, but
6 as well as the CBO has projected, interfund borrowing will
7 be sufficient to deal with the short term problem. Only if
8 the economy performs less well than either the
9 Administration or the CBO has projected, will there be a
10 short term problem that cannot be dealt with solely by
11 interfund borrowing.

12 So I think this resolution assumes as a fact something
13 which is not a fact, and which is rather dependent upon the
14 performance of the economy over the next few years. I don't
15 think there is any question about that based upon all the
16 testimony that we heard here yesterday.

17 So I think it is factually incorrect to make this
18 statement with respect to the short term problem. It may
19 not be sufficient, but then again, if the President's
20 programs succeed, in accordance with the projections of the
21 Administration, or in accordance with the even less
22 optimistic projections of the CBO, then the short term
23 problem can indeed be met by interfund borrowing, although
24 it is clear that the long term problem cannot.

25 This resolution confuses two separate problems by

1 discussing the solution to them as though they are one.

2 Senator Moynihan: Mr. Chairman.

3 The Chairman: Senator Moynihan.

4 Senator Moynihan: Mr. Chairman, I would like to move
5 an amendment to the resolution because nothing would make me
6 feel that we are misleading one another, much less
7 ourselves, than to have it suggested that not to be in favor
8 of this resolution is to argue that there surely no problems
9 in the near term that cannot be dealt with by interfund
10 borrowing.

11 There are five sets of economic projections of which
12 will give you no problems, one will give you a fair escape,
13 and the other two will give you quite serious problems, and
14 we know that. What concerns us is the unwillingness to be
15 specific on the other side about them, and the determination
16 to ask for bipartisanship in this committee while intensely
17 partisan views are held in the Executive.

18 So let's start saying, let's see if we can have some
19 agreement here. I would move a seventh clause that would
20 say that the subcommittee is directed to propose the repeal
21 of tax cuts on oil production provided by the Economic
22 Recovery Tax Act, and to apply the \$11.67 billion thus
23 acquired to the social security trust fund during the period
24 1982 to 1986.

25 Senator Danforth: Mr. Chairman, I would respond to

1 Senator Moynihan exactly the way I responded to Senator
2 Mitchell yesterday, and exactly the way I just privately
3 responded to Senator Roth on a specific suggestion that he
4 had. Namely, I think really the question now is can we get,
5 as I said yesterday, off the dime; can we set in motion a
6 process, a procedure which might lead somewhere.

7 Perhaps Senator Moynihan's suggestion is meritorious,
8 perhaps that is the way to go. Perhaps there are other
9 suggestions that are better. I don't think that that is the
10 point that we should resolve at this point in time. I think
11 the real question is, do we have a problem, and should we
12 get on with trying to solve it.

13 It may be that Senator Mitchell's wish as to the short
14 term solvency of the social security system is going to turn
15 out to be true, but I don't think we should proceed on that
16 basis, and I think that really what we have to say in the
17 resolution is that there are, indeed, short term and long
18 term problems, and that those problems are not going to be
19 solved by interfund borrowing. If all we do is interfund
20 borrowing, then that is simply not going to create the
21 sound, healthy social security system which we want in
22 either the short term or the long term unless we are lucky.

23 Senator Moynihan: Jack, may I speak to you directly on
24 this. The problem when you speak of bipartisanship is that
25 our views on social security are not the same. I suspect

1 your views and my views are the same. I suspect Senator
2 Boren's and Senator Armstrong's are not unrelated. But
3 there is in this committee on both sides a genuine
4 difference about how this program should work.

5 The distinguished chairman of the subcommittee said
6 yesterday that we are \$1.6 trillion short, and we have got
7 to deal with it, but the one thing we cannot do is raise
8 costs, raise taxes. That means, the only you do is to take
9 \$1.6 trillion worth of benefits out.

10 Senator Armstrong: Are you advocating that we raise
11 the payroll tax?

12 Senator Moynihan: I am perfectly prepared to. I have
13 a resolution before this committee, an amendment that says
14 we allocate the monies from a tax cut we never should have
15 made in my view in this last tax act.

16 Senator Armstrong: Did you vote for that tax cut?

17 Senator Moynihan: Yes, and then I proposed that these
18 things be taken out before and after.

19 I just want to say this. We have to acknowledge a
20 difference of views on which way the program is going.

21 The Chairman: I agree with that, and I wonder if we
22 might vote on the resolution.

23 Senator Moynihan: I have an amendment.

24 The Chairman: What is the amendment.

25 Senator Moynihan: The amendment directs the

1 subcommittee to propose the repeal of the tax cuts on the
2 oil production proposed in the Economic Recovery Tax Act,
3 and to apply the \$11.6 billion thus acquired to the trust
4 fund for the year 1982 to 1986.

5 Senator Danforth: Let's vote, Mr. Chairman.

6 The Chairman: That would be a specific, and I would
7 move we table that. Do you want a record vote?

8 Senator Moynihan: Yes, I do.

9 The Chairman: The Clerk will call the roll.

10 Mr. Lighthizer: Mr. Packwood.

11 (No response.)

12 Mr. Lighthizer: Mr. Roth.

13 Senator Roth: Aye.

14 Mr. Lighthizer: Mr. Danforth.

15 Senator Danforth: Aye.

16 Mr. Lighthizer: Mr. Chafee.

17 The Chairman: Aye.

18 Mr. Lighthizer: Mr. Heinz.

19 Senator Heinz: Aye.

20 Mr. Lighthizer: Mr. Wallop.

21 The Chairman: Aye.

22 Mr. Lighthizer: Mr. Durenberger.

23 The Chairman: Aye.

24 Mr. Lighthizer: Mr. Armstrong.

25 Senator Armstrong: Aye.

1 Mr. Lighthizer: Mr. Symms.
2 Senator Symms: Aye.
3 Mr. Lighthizer: Mr. Grassley.
4 Senator Grassley: Aye.
5 Mr. Lighthizer: Mr. Long.
6 (No response.)
7 Mr. Lighthizer: Mr. Byrd.
8 (No response.)
9 Mr. Lighthizer: Mr. Bentsen.
10 Senator Bentsen: Aye.
11 Mr. Lighthizer: Mr. Matsunaga.
12 (No response.)
13 Mr. Lighthizer: Mr. Moynihan.
14 Senator Moynihan: NO.
15 Mr. Lighthizer: Mr. Baucus.
16 Senator Baucus: No.
17 Mr. Lighthizer: Mr. Boren.
18 Senator Boren: Aye.
19 Mr. Lighthizer: Mr. Bradley.
20 (No response.)
21 Mr. Lighthizer: Mr. Mitchell.
22 Senator Mitchell: I have to know what the vote is on.
23 The Chairman: Senator Moynihan offered an amendment to
24 the resolution.
25 Senator Moynihan: Shall I read it, Mr. Chairman.

1 Senator Moynihan: The subcommittee is directed to
2 propose the repeal of the tax cuts on oil production
3 provided in the Economic Recovery Tax Act, and to apply the
4 \$11.67 billion thereby acquired to the social security trust
5 fund for the period 1982 to 1986.

6 Senator Mitchell: It is a motion to table that?

7 Senator Moynihan: Yes.

8 Senator Mitchell: No.

9 Mr. Lighthizer: Mr. Chairman.

10 The Chairman: Aye.

11 The vote on this tabling motion is 11 ayes, and three
12 nays. The motion is agreed to.

13 The question arises on the resolution from the Senator
14 from Missouri. Do you want a record vote?

15 Senator Danforth: Yes.

16 Senator Bentsen: Do I understand where we are now.

17 The Chairman: It has been amended to include the
18 subcommittee rather than the tax force.

19 Senator Bentsen: What about the comment that Senator
20 Mitchell has made that it doesn't totally negate the
21 possibility that interfund borrowing would take care of it
22 in the short term? I understood that Senator Mitchell had
23 stated that, and I would be much more comfortable with the
24 resolution then.

25 Senator Mitchell: One of my objections to the

1 resolution is that it continues the confusing of the short
2 term and the long term problem that has been one of the
3 major concerns since the Administration made its proposals
4 in May. It states as a fact --

5 The Chairman: You did not offer an amendment, though.

6 Senator Mitchell: I am against it anyway, I would do
7 it to help Senator Bentsen.

8 My amendment would be that solution of the long term
9 problem will require more than authorization of interfund
10 borrowing. The solution of the short term problem may
11 require more than interfund borrowing. That is an accurate
12 statement of what the facts are.

13 Senator Bentsen: Does that bother you?

14 Senator Danforth: Yes, it does because I think really
15 the question is on what basis do we proceed in the
16 Congress. Do we proceed on the basis that the short term
17 problem has to be solved by more than interfund borrowing,
18 or don't we. That is a question of judgment.

19 As Senator Moynihan pointed out, some projections say
20 yes, and some projections say no. It would be my view that
21 if we are going to be responsible in addressing the social
22 security problem, at least from the standpoint of procedure,
23 if we get this underway, we are going to continue to argue
24 about the details and about the specific solution. But at
25 least from the standpoint of giving a mandate to the

1 subcommittee, we should give a mandate to them to address
2 the short term problem from the standpoint of more than
3 interfund borrowing.

4 Senator Bentsen: I think Senator Mitchell makes a good
5 point. I am not convinced yet that the short term is not
6 taken care of. I am convinced that the long term definitely
7 is not. If it means I go on record as saying that the short
8 term is not taken of, then I cannot do it.

9 Senator Bradley: Mr. Chairman, could I raise a point;
10 why are we sending it to the subcommittee?

11 Big issues in this committee, and I have only been here
12 three years, have always been dealt in the full committee.
13 We did not write the windfall profits tax in subcommittee,
14 we wrote it in the full committee, What is the rationale
15 for taking this issue, which is clearly one of, if not the
16 most important issues of this Congress, and saying, the
17 subcommittee will make all these decisions? It is going to
18 have to be done in full committee anyway.

19 The Chairman: That is right. There is certainly no
20 intent that the subcommittee is going to make the
21 decisions. I think the purpose of the resolution, and I
22 hope we can vote on that, is to see if we can or cannot have
23 some success with the House, whether this is a task force or
24 a duly constituted subcommittee.

25 I don't know that it makes any great difference,

1 Senator Danforth had task force. Does it change you
2 position on the resolution?

3 Senator Bradley: No, it doesn't because I still think
4 that it is a political cover. We are going to, at some
5 time, have to debate the issue.

6 The Chairman: I can assure the Senator from New Jersey
7 that whatever the outcome of the resolution is, the final
8 resolution will be by the full committee.

9 Senator Baucus: Does this mean that the task force is
10 going to make recommendations to the full committee if this
11 resolution passes?

12 The Chairman: I hope so.

13 Senator Baucus: Does that further mean there may be
14 votes in the subcommittee, where senators might disagree on
15 certain individual recommendations of the subcommittee?

16 The Chairman: I assume that could happen. It has been
17 the custom, at least in this committee and others, that you
18 generally can find some areas of agreement where people
19 search for them.

20 Senator Bradley: Will the subcommittee be open?

21 The Chairman: Sure.

22 Senator Bradley: It will be a subcommittee meeting?

23 The Chairman: All of our meetings are open.

24 Senator Baucus: What concerns me frankly is the
25 precedent that we are setting here if we are going to set up

1 subcommittees that are going to take up major issues, and
2 have votes in subcommittees, and the subcommittees make
3 recommendations to the full committee. We have never
4 operated that way.

5 Senator Danforth: Max, all right, you can vote against
6 it. Just vote against it, let's blow the whole thing. My
7 idea was simply that on a very informal basis, a bipartisan
8 group of the Finance Committee could call upon the Ways and
9 Means Committee, and see if in an informal, not in an open
10 hearing --

11 Senator Baucus: Is the Senator asking me to yield?

12 Senator Danforth: Would you?

13 Senator Baucus: Yes, I will.

14 Senator Danforth: -- not with all the rhetoric and the
15 bombast, and the politics, just if it is possible for a
16 group of Republican and Democrat Senators from the Finance
17 Committee to meet with some counterparts on the Ways and
18 Means Committee to try to put together on a quiet, informal
19 basis something that could be agreed to.

20 If the answer to that is no, that we want to make a big
21 TV show out of it, fine, vote against it.

22 Senator Baucus: My only point is that social security
23 is a very fundamental issue. Second, generally, the
24 Republican approach has been different from the Democratic
25 approach, votes in the Congress over the years show that.

1 The 1977 vote shows that.

2 I just want to point out to members of this committee
3 that if we set up a task force, or in effect a subcommittee
4 to decide the issues, that sets a very, very different
5 precedent.

6 Senator Danforth: No one is deciding. It will have to
7 be voted on on the floor of the Senate.

8 Senator Baucus: Social security is important because
9 individual senators have different views on social security,
10 and it is possible, even probable, that there will be
11 different votes in this task force or this subcommittee. I
12 don't think we want this committee to set that precedent of
13 a subcommittee voting on issues or just different points,
14 and then that subcommittee recommending to the full
15 committee.

16 Senator Bentsen: Mr. Chairman, I had said I agreed
17 with what Senator Boren had recommended, and I do. I just
18 don't want to be in a position where I am committed that
19 short term interfund borrowing --

20 The Chairman: I wonder if we might vote on the
21 resolution.

22 Senator Boren: I wonder before we vote if Senator
23 Danforth would consider the point about the short term and
24 the long term. I think what he is trying to say is, not
25 that we should prejudge the issue in the short term, but

1 that the subcommittee should certainly consider more than
2 just interfund borrowing, which I agree with.

3 I am not sure if the short term can be addressed by
4 interfund borrowing or not. I know the long term cannot. I
5 think we ought to be dealing with all of these problems, and
6 we should not sidestep them. I think that it is our
7 responsibility.

8 I would hope you might consider stating that the long
9 term problem cannot be dealt with by interfund borrowing,
10 and then state, since the long term problem cannot be dealt
11 with by interfund borrowing, the subcommittee should
12 consider the advisability of other actions in addition to
13 interfund borrowing.

14 In other words, I could see that the subcommittee and
15 the full committee might adopt a series of recommendations
16 that on the short run would be interfund borrowing, but go
17 ahead and put in place at the same time some long range
18 changes in the system that are going to be needed in the
19 long run. Do you see what I mean?

20 Senator Danforth: Yes. I really believe that if we
21 believe that interfund borrowing is going to solve the short
22 term social security problem, we are operating on the wish
23 and the smile theory. But if that is what it takes to get
24 some movement, some glimmer of hope of trying to put
25 something together on social security, fine.

1 The Chairman: You would accept the proposal?

2 Senator Danforth: Yes, I will accept.

3 Senator Moynihan: Would the Senator from Oklahoma
4 yield for a question?

5 Senator Boren: Certainly.

6 Senator Moynihan: Would he think it would be helpful
7 if we included in this resolution a statement that the
8 Atlantic Ocean is deep in some places, and other --

9 Senator Boren: I would say this to my good friend from
10 New York. I don't think playing rhetorical games with a
11 problem as serious to the future of this country as the
12 social security, I don't think it does any good for anybody,
13 I don't think it does any political good for anybody in this
14 country, I don't think it does any good for the senior
15 citizens who depend upon the program, and I am not playing
16 games with it.

17 I think for this committee to sit here and say that we
18 would not take up the social security problem, that we would
19 pass some piecemeal interfund borrowing, and shut down for
20 the year and go home, then when I go to the people of my
21 state and they walk up to me, that senior citizen that I am
22 concerned about.

23 There are many benefit cuts that I will not vote for, I
24 am opposed to many of the things the President has said on
25 this subject, because I don't think we ought to balance the

1 budget on the backs of the people who can least afford it.

2 Also, I do not believe that for those people who are
3 desperately dependent upon the social security system, that
4 this committee for any purpose whatsoever ought to be able
5 to go home at the end of this session, and have to face
6 people and say, "No, we did not do anything about that
7 problem. We did not face up to it."

8 I don't think that we ought to say to couples in their
9 30s and 40s, "No we did not face up to the problem of will
10 there be a social security system when you retire." I am
11 not ready to do that. It does not deal with the Atlantic
12 Ocean or anything else. It deals with meeting our
13 responsibilities to the people who sent us here, and I feel
14 that very strongly.

15 Senator Moynihan: We not suggesting that the interfund
16 borrowing would deal with the 21st century problems.
17 Clearly, it is not remotely suggested, and clearly it is not
18 so. How could it become an issue by amending this
19 resolution to deal with the obvious things, and that is that
20 the problems of the year 2015 are different from the
21 problems of the year 1985.

22 Senator Danforth: The proposed amendment to paragraph
23 3 would read: "Solution of the long range problem will
24 require more than authorization of interfund borrowing, and
25 solution of the short range problem may require more than

1 the authorization of interfund borrowing."
2 Senator Danforth: Without objection, the Clerk will
3 call the roll on the resolution.
4 Mr. Lighthizer: Mr. Packwood.
5 (No response.)
6 Mr. Lighthizer: Mr. Roth.
7 Senator Roth: Aye.
8 Mr. Lighthizer: Mr. Danforth.
9 Senator Danforth: Aye.
10 Mr. Lighthizer: Mr. Chafee.
11 The Chairman: Aye.
12 Mr. Lighthizer: Mr. Heinz.
13 Senator Heinz: Aye.
14 Mr. Lighthizer: Mr. Wallop.
15 The Chairman: Aye.
16 Mr. Lighthizer: Mr. Durenberger.
17 The Chairman: Aye.
18 Mr. Lighthizer: Mr. Armstrong.
19 Senator Armstrong: Aye.
20 Mr. Lighthizer: Mr. Symms.
21 Senator Symms: Aye.
22 Mr. Lighthizer: Mr. Grassley.
23 Senator Grassley: Aye.
24 Mr. Lighthizer: Mr. Long.
25 (No response.)

1 Mr. Lighthizer: Mr. Byrd.
2 (No response.)
3 Mr. Lighthizer: Mr. Bentsen.
4 Senator Bentsen: Aye.
5 Mr. Lighthizer: Mr. Matsunaga.
6 (No response.)
7 Mr. Lighthizer: Mr. Moynihan.
8 Senator Moynihan: No.
9 Mr. Lighthizer: Mr. Baucus.
10 Senator Baucus: No.
11 Mr. Lighthizer: Mr. Boren.
12 Senator Boren: Aye.
13 Mr. Lighthizer: Mr. Bradley.
14 Senator Bradley: No.
15 Mr. Lighthizer: Mr. Mitchell.
16 Senator Mitchell: No.
17 Mr. Lighthizer: Mr. Chairman.
18 The Chairman: Aye.
19 The ayes are 12, and the nays are four. The resolution
20 as amended is agreed to.
21 Before I recognize the Senator from Pennsylvania, I
22 wanted to get the consensus of the committee, so that we
23 might give staff some time between now and maybe three
24 o'clock this afternoon when we might meet again.
25 Senator Danforth: Mr. Chairman, may I just raise one

1 point on the last vote.

2 The Chairman: Yes.

3 Senator Danforth: Senator Bentsen voted for it, and
4 Senator Boren voted for it, and those were the only
5 Democrats who voted for it. I do think that we should have
6 a minimum number, like three maybe. If we just get two, I
7 don't think that it is going to get the job done.

8 The Chairman: But look at the quality you got.

9 (General laughter.)

10 Senator Bradley: I will be glad to make a motion to
11 reconsider the resolution.

12 The Chairman: You want to wait until the absentees are
13 recorded?

14 Senator Danforth: Yes, I would.

15 The Chairman: I share that view, if it end up to be 12
16 to eight, or whatever.

17 Senator Bradley: Why wouldn't you proceed, then?

18 The Chairman: We probably will. I think Jack is
19 sincere. He thinks that this opens up a window of
20 opportunity. As one who voted for the 1977 Act, we would
21 hope that we might be unanimous.

22 Senator Bradley: But it is being delegated not to a
23 task force, but to the subcommittee, the Republicans and
24 Democrats on the subcommittee. You mean, you would consider
25 not going forward?

1 Senator Danforth: It is futile, or are we headed
2 somewhere, that is all I want to know.

3 Senator Bradley: I think it was futile from the
4 beginning, I think we should discuss the thing in full
5 committee.

6 Senator Boren: Mr. Chairman, I think we should proceed
7 anyway, and I would make this point. I am sure there are
8 probably some who are displeased with me for voting for this
9 resolution. I feel an individual sense of responsibility,
10 and that is the reason I did it, and that is my own
11 individual judgment. I don't differ with anyone else who
12 has a different opinion about it.

13 I think this, I think the majority on the committee,
14 and I would speak directly to the majority on the committee,
15 has the responsibility to move ahead. Maybe there will only
16 be one or two or three votes on a particular issue. There
17 will be some that I am going to disagree with.

18 Senator Moynihan says I will agree with Senator
19 Armstrong on all of it, but we won't agree on all of it.
20 Some of it I will vote for, and some of it I won't. I am
21 going to weigh each proposal on an individual basis because
22 I think that is my responsibility.

23 Senator Moynihan: I said that you would probably tend
24 to agree with Senator Armstrong.

25 Senator Boren: I don't know, and that remains to be

1 seen.

2 Senator Armstrong: I took it as a compliment.

3 Senator Moynihan: I certainly meant it as no
4 disrespect.

5 Senator Boren: I would say to Senator Danforth that I
6 think that whatever party breakdown on this committee on any
7 individual proposal, I think that it is the committee's
8 responsibility to take up each one of these proposals. If
9 some of the amendments or proposals are passed on party line
10 votes, they will pass. It doesn't matter whether it is 11
11 to nine, bipartisan, or partisan alone, they pass, they are
12 adopted.

13 I think we ought to meet our responsibility, and I
14 don't think that either side ought to run for cover on
15 this. I think the majority of the committee ought to
16 exercise its responsibility, however that majority is
17 composed. I don't welcome it.

18 I am on that subcommittee, and I did not want to be on
19 that subcommittee, I would just as soon not have to vote on
20 any of them, but I can't go home and say that I have met my
21 responsibility if I don't. We ought to vote up and down on
22 all these proposals, go ahead on it, and not back up.

23 Senator Bentsen: I agree that it is the responsibility
24 of the majority party. In addition to that, we should have
25 something coming down specifically from the President of the

1 United States as to what his recommendations are, not
2 options, not things to be considered, but what he believes
3 should be done to help this problem.

4 Senator Boren: I agree, and I think that that should
5 be conveyed to the President. If there are Democrats who
6 are willing on a bipartisan basis to view each proposal with
7 objectivity and consider voting for them, I think that he
8 ought to be willing, and I think the majority of the
9 committee ought to be willing to stick their necks out on
10 it, and all of us ought to stick our necks out and do what
11 needs to be done.

12 Senator Mitchell: Mr. Chairman, I just want to make a
13 comment on that.

14 I am sure the Senator did not intend any implication
15 that anybody who voted against the resolution was seeking to
16 avoid their responsibility. In fact, one of the reasons I
17 voted against it is that I am not on that subcommittee, and
18 I want to participate in the deliberations.

19 Senator Boren: I understand that.

20 Senator Mitchell: I agree with Senator Bradley that we
21 ought to take it up in the full committee, then we would all
22 have a chance to vote on it. Why should the matter be sent
23 to just a few members of the committee, and not let every
24 member of the committee participate.

25 We are talking about responsibility, and I just wanted

1 to make that very clear, that anybody voting against this
2 resolution did not intend thereby to avoid any
3 responsibility. My vote was based upon the fact that I want
4 to participate in the process, and this resolution does not
5 permit me the full participation that I would have if it
6 were taken up in the full committee.

7 The Chairman: Let me assure the Senator from Maine,
8 and I think I made that clear in the past, no one is going
9 to be denied the opportunity to participate in this
10 committee. This resolution, I think, can have some positive
11 impact, as I have indicated, but it may not have any at all
12 as we may find out before we meet this afternoon.

13 I understand there is some agreement, and there are
14 staff proposals prepared notwithstanding the resolution,
15 that we proceed to agree upon in the committee on three
16 items. One is interfund borrowing, am I correct that there
17 is an agreement that we should do that?

18 Senator Moynihan: I am not sure there is any formal
19 agreement over here, but certainly there is that
20 disposition.

21 Senator Heinz: Mr. Chairman, we use the term
22 "interfund borrowing" sometimes interchangeably to mean
23 literally borrowing among trust funds, or adjusting the tax
24 rates, and it is an important decision.

25 The Chairman: It is, and Mr. Myers will probably tell

1 us that we should do both.

2 Would you take a few minutes, Bob, on the interfund
3 borrowing and reallocation of the tax.

4 Mr. Myers: Mr. Chairman, I think that as many times in
5 the past, when the allocations of the tax rates have been
6 done, this certainly is a first step, and probably the most
7 important step because in 1977 when there was a
8 reallocation, it happened that too much was allocated to DI
9 than apparently is now necessary.

10 So I think that any change first should be made by
11 allocating the total tax rate. Then I believe that interfund
12 borrowing is still necessary because it may be that the
13 allocation of the tax rates will turn out not to be quite
14 correct as it was in 1977. So you need to fall back on the
15 interfund borrowing.

16 The Chairman: The point I want to make, I think you
17 can work with staff between now and three o'clock on that
18 proposal.

19 The second point would be a partial restoration of the
20 minimum benefit. I would ask Mr. Myers to indicate, having
21 looked at the options, what options are being made
22 available. It was my hope, in an effort to make certain
23 that nobody who should not be impacted by the minimum
24 benefit, that action will be taken so that they will be
25 restored.

1 I have discussed with Mr. Myers a proposal that I think
2 has some merit, and I would ask him to comment on that
3 proposal.

4 Mr. Myers: Yes, this is patterned very much after the
5 so-called Prowde amendment in 1966. This is for people age
6 72 and over, there is an offset against these people
7 receiving government employee pensions, whether from
8 Federal, State or local government, and also that they are
9 not paid outside of the United States.

10 What this proposal would be would be that the minimum
11 benefit would be restored for everybody who is now receiving
12 a minimum benefit, but prospectively would be eliminated.
13 Except the persons receiving a government employee pension
14 from either Federal, State, or local government in excess of
15 \$300 a month would receive only the earned benefit, except
16 that they would never have more of a reduction from the
17 minimum than their pension is over \$300.

18 In other words, if they are only getting pension of
19 \$301, their minimum benefit would be only reduced by one
20 dollar. If they are getting \$1000 a month as a government
21 employee pension, then the minimum benefit would not be
22 paid, but rather the earned pension would be paid.

23 Another part of this would be, as I said, for people
24 living outside of the United States, and that is the entire
25 United States including Puerto Rico. People living outside

1 of the United States would receive solely the earned
2 benefit, and not the minimum benefit.

3 Senator Moynihan: Mr. Chairman, I think it would be
4 good if we could see this in writing, and with some numbers
5 associated with it.

6 The Chairman: I think that provision would save still
7 some little amount, not a great deal.

8 Mr. Myers: It is close to \$1 billion over the five
9 year period.

10 The Chairman: As opposed to about \$5 billion.

11 Senator Moynihan: Do I take it that in rough terms
12 about 20 percent of the minimum benefit is paid to persons
13 who might be in the category of "double dippers"?

14 Mr. Myers: Perhaps 15 percent.

15 Senator Moynihan: So the proposal to reduce the
16 minimum benefit, although it was presented to us in terms of
17 persons who really didn't it deserve it or need it, it turns
18 out that about 15 percent of the cut was for such persons.

19 Mr. Myers: I think it could be said that there are
20 other persons who may not need it, but this is the group
21 that is most easily identified.

22 Senator Moynihan: It turns out to be rather a small
23 group relative to the universe.

24 The Chairman: Finally, and I understand there may be
25 some general agreement, in an effort to pay for the

1 restoration, we could agree on some of the modest reforms.
2 I would be prepared to offer that this afternoon after
3 consultation with members and staff, so that there would be
4 no net loss.

5 I would hope that Mr. Myers, and members of our
6 different staffs might be between now and the time we meet. If
7 it would be satisfactory to members of the committee, I
8 would suggest that we meet at 4:30 o'clock, which would give
9 the staff four hours, and we could meet in room S-224, which
10 is right off the Senate floor.

11 Senator Armstrong: Mr. Chairman, in connection with
12 what you have just said, in checking my own schedule, I find
13 I have a large group of people who have come a distance to
14 see me at precisely 4:30. If we could delay even 15
15 minutes, to 4:45, it would be helpful.

16 The Chairman: What about 4:00 o'clock?

17 Senator Armstrong: Four o'clock would be fine with
18 me. I would have to excuse myself at 4:30, but it would be
19 great.

20 The Chairman: We will meet at 4:00 in room S-224,
21 which is right off the Senate floor. We will hope to have a
22 packet prepared that in the meantime we could check with the
23 different members on to see if we can find some consensus,
24 offer it at that time, and see if we could get approval.

25 Senator Heinz: Before all the members leave, there is

1 something I hope the committee would agree to, which I don't
2 think is controversial, but I think we do need it. I
3 mentioned a moment ago that we don't have any projections
4 for the HI fund after 1990. So I would propose that the
5 committee adopt the following resolution, which I quote:

6 The Senate Committee on Finance requests that the
7 trustees of the Federal Hospital Insurance Trust Fund shall
8 provide the Congress forecasts, under four alternative
9 assumptions used in the '81 trustees' report, of projected
10 annual income and outgoes from the Federal Hospital
11 Insurance Trust Fund for the period 1990 to 2005.

12 I have heard of no objection to the proposal. We have
13 the same numbers for the OAS Fund, but not for HI. It seems
14 pointless not to have them for the fund.

15 The Chairman: Maybe we can bring that up at our four
16 o'clock meeting.

17 Senator Heinz: Mr. Chairman, I will not be able to
18 attend, unfortunately.

19 The Chairman: I will bring it up for you.

20 Senator Heinz: All right, thank you.

21 Senator Armstrong: Mr. Chairman, we are kind of ending
22 on a note of informality. I just want to indicate that
23 while I don't disapprove of the proposal Mr. Myers has made,
24 while I don't disapprove of the suggestion that has just
25 been discussed, I would like to at least consider the

1 approach which would, say, restore the current minimum
2 beneficiaries in the future, needs tested in some way with
3 respect to income levels, or assets, or both, and not just
4 with respect to government pensions.

5 It does seem to me that if it is technically feasible,
6 we ought to at least look at the question of need. We are
7 talking now, as I understand it, only about how much
8 unearned benefit should be received. It would seem to me
9 reasonable to me to consider needs testing at least as one
10 of the options.

11 Senator Moynihan: Mr. Chairman, could I just say a
12 quick word just to point out what we have tried to say
13 several times here. There are differences of opinion
14 between us that we should not try to avoid. The Senator
15 from Colorado speaks of needs tests, of persons getting
16 benefits they have not paid for, and so on, that goes to
17 questions to welfare assistance. Social insurance falls on
18 the good and the evil, the deserving and the undeserving
19 alike. It is an entitlement that comes in consequence of a
20 quasi-contract with the government.

21 You do not get social security because you have lived a
22 good life. You get social security because you have paid 40
23 quarters at certain levels, and so forth, and we don't
24 inquire into it. I am not saying that you are wrong, I am
25 just saying that these are differences.

1 Senator Armstrong: Probably, Mr. Chairman, I did not
2 explain well what I was talking about because the statement
3 that the Senator from New York has made is not consistent
4 with what I have suggested.

5 In fact, what we are discussing here, I would say to
6 the Senator, is precisely that portion of the social
7 security payment, the minimum payment, which is above what
8 you earned. In other words, the whole social security
9 system is based on this contract idea, this social contract,
10 you earn it, it is an entitlement under the law. But there
11 is a piece that was put in a few years ago, which is an
12 unearned piece. It is the component --

13 Senator Moynihan: Could I ask a question.

14 Senator Armstrong: Let me just finish my point. I
15 don't think we are going to disagree about the facts of
16 this. I am saying that when we meet at four o'clock to
17 consider this matter, one of the options I want the staff to
18 present is to put everybody back on who is now on, but with
19 respect to future years, to give us an option that would
20 permit us to consider a needs test beyond that. You may not
21 agree with that, but certainly we ought to look at that
22 option.

23 Senator Moynihan: Let me ask one question. Does the
24 Senator from Colorado wish to give me an estimate of what
25 the average recipient of social security, how long he

1 receives benefits before he has used up his contribution.

2 Senator Armstrong: I would defer to Mr. Myers for
3 that.

4 Senator Moynihan: Mr. Myers, perhaps you would tell
5 the senator.

6 Mr. Myers: At the present time, if you don't take into
7 account interest, it is about 18 months.

8 Senator Armstrong: What will that be in the future,
9 since what we are talking about is the future?

10 Mr. Myers: That figure will increase because
11 originally it was only one month and a few weeks.

12 Senator Armstrong: Would you speak right into the
13 microphone, Mr. Myers, because I think this is an important
14 point.

15 Mr. Myers: Originally, the period, of course, was much
16 shorter, and in the future it will be much more than 18
17 months, because the people have been in the system longer
18 and at higher tax rates and higher earnings base.

19 Senator Armstrong: Will it eventually get to the point
20 where people will actually have paid in more than they will
21 get out?

22 Mr. Myers: If you don't take into account interest,
23 but I think you really shouldn't to determine the value of
24 this. Over the long run there will be people where the
25 employer and the employee together have paid in more than

1 the value of the benefits. For average worker, just looking
2 at the employee taxes, people always will get more than they
3 paid in for it because some comes from the employer tax.

4 The Chairman: Let me just say to both Senator, this is
5 not the only option. I don't want to leave the impression
6 that we have agreed upon any one provision. I suggested
7 that because it is one that we have looked at. I have asked
8 Mr. Myers, based on his long experience, if he were going to
9 pick one of the options, which did he think would be the
10 most equitable. That happened to be the suggestion, and
11 certainly other options can be considered.

12 I would hope that perhaps members of the staff
13 representing the various senators might remain after we
14 depart, so that they could go to work now to see if we can
15 find some general agreement. We are in general agreement on
16 interfund borrowing and reallocation, so we can proceed on
17 that. We are not in agreement on just how much of the
18 benefit we restore, but we are in agreement that we are
19 going to do something.

20 I think there is also general agreement that we are
21 willing to pay for the restoration with some of the minor
22 modifications which we can hopefully agree on between now
23 and four o'clock.

24 Senator Moynihan: Mr. Chairman, if we are going to
25 change ranges, I guess we would like a fairly good piece of

1 paper from Myers and Mr. Svahn.

2 The Chairman: Change rates?

3 Senator Moynihan: Allocation rates. It is a sensible
4 thing to do, but I don't know how far advanced your thinking
5 on this is. Maybe you feel you know what you would like?

6 Mr. Myers: I think we could give you some figures on
7 that at the four o'clock meeting, Senator.

8 Senator Moynihan: Let's agree that we will not decide
9 that this afternoon. Let's sleep on it a bit.

10 The Chairman: No, I think, based on our visits, there
11 is no quarrel with interfund borrowing, but I think in
12 addition to that it has been recommended that we may want to
13 do the other, and we can consider that.

14 Are there any questions?

15 (No response.)

16 The Chairman: If not, we will meet at four o'clock,
17 unless there is a vote or something, and if there is a vote
18 shortly thereafter in S-224.

19 (Recess.)

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1 The Chairman: What we will be putting in front of you
2 would be the reallocation and interfund borrowing authority;
3 the restoration of the minimum benefit to present
4 beneficiaries with certain limitations. We would make two
5 changes in the number of recommendations we set forth, which
6 would almost pay for the restoration that we propose.

7 What I would like to do is to first have Mr. Myers run
8 down that list. I might also say to the members present
9 that I think we have tried to be in touch with the staff of
10 everyone on the committee. I know Senator Moynihan's staff
11 was present, and other staff people were present.

12 This is what I would submit to the committee for
13 consideration, and certainly discussion of anything else.

14 Russell, this is a package. You indicated this morning
15 if we had something to propose, to propose it, then we could
16 act on it. I am not suggesting that this cannot be altered,
17 but I am suggesting that this is at least a place to start.
18 The staff has worked with Mr. Myers through the noon hour,
19 and I would like Bob now to go through and tell us why you
20 thought it was best to have both the reallocation and the
21 interfund borrowing authority, and then go to the
22 restoration of the minimum benefit and explain that to us.
23 Then explain what was done to recoup the cost of the
24 restoration.

25 Mr. Myers: Mr. Chairman, the question of reallocating

1 the tax rates, in other words keeping the same total for
2 both for employer and employee taxes for social security,
3 OASI, DI, and HI, and putting the money differently in order
4 to keep the funds on a more nearly solvent basis. This is a
5 procedure that has been done before a number of times in the
6 past when difficulties appeared in one fund or the other.

7 I think you can see what was done. The first one is
8 that reallocation is the best way to proceed because there
9 is no use to have one fund build up to a huge amount while
10 the other fund goes down, and just lend the money, because
11 there is a question of repaying it. Instead, the total tax
12 is reallocated.

13 In addition, there is a backstop. You would still have
14 interfund borrowing just in case you did not allocate the
15 rates quite right.

16 If you will turn to the third page, there is a table
17 here that shows the tax rates under present law, and under
18 the proposal, by the three trust funds. What has been done,
19 basically, is to increase the amount going into the OASI
20 trust fund, decrease the amount going into the disability
21 trust fund, which is now in very strong position, and for HI
22 to decrease the rate temporarily through 1985, and then to
23 increase them in 1990 and thereafter.

24 The net effect of this would be that hospital insurance
25 trust fund would not build up as large as it does now, and

1 in fact by 1990 would be at a very low level, but then after
2 1990 it would built up some. Then just like under present
3 law, in 1992 and 1993, it too would have difficulties.

4 So the intent was, over the next ten years, to keep the
5 hospital insurance fund in about the same position it is now
6 overall, at the same time to build up the OASI trust fund in
7 the early years.

8 The interfund borrowing would only be, under proposal,
9 between the OASI and the DI. There would be no money taken
10 out of the hospital insurance trust fund.

11 The Chairman: Nor would it be able to get any. It
12 would have to say on its own feet.

13 Senator Danforth: Mr. Chairman, I wonder why that
14 restriction on interfund borrowing against HI. Just
15 supposing, for example, one of the things we could agree on
16 is an increase in the cigarette excise tax which money would
17 be earmarked for medicare, then that would increase the
18 amount going to HI right at \$2.5 to \$3 billion a year.
19 Therefore, if you are going to have interfund borrowing, I
20 would think you would want to make that adjustment, wouldn't
21 you?

22 Mr. Myers: You could go either way on this. The
23 thought was that so much money was being taken from HI by
24 the tax reallocation that you should not lay it open to the
25 possibility of even being further depleted, and then by 1990

1 having real problems.

2 Senator Danforth: But the whole point of interfund
3 borrowing does not mean that you are going to move it from
4 one fund to the other, but allow maximum flexibility so that
5 it can be done. It is not any particular threat to just
6 open up that possibility, I wouldn't think.

7 Mr. Myers: If the money was not there, of course, you
8 could not borrow it. So you could go either way as far as I
9 am concerned.

10 The Chairman: It doesn't present any problems, does
11 it?

12 Do you have a question, Pat?

13 Senator Moynihan: I would simply agree with Senator
14 Danforth.

15 Senator Durenberger: I don't know how this got
16 structured to exclude HI, but we are reducing the amount
17 that is going into HI, and to the extent we are reducing the
18 amount available in the short term, we are putting pressure
19 on part B when we get around to making general revenue
20 decisions.

21 I think Bob's original suggestion is the best. If we
22 ever get that cigarette tax deal, you could authorize it
23 then. I think that this is probably a valid protection.

24 Senator Bradley: Mr. Chairman, as I understand the
25 Administration did say that they were going to send out

1 their competition proposal on health care generally, and as
2 I understand what they had said, without putting a number to
3 it, it would save a considerable amount. If wonder if we
4 shouldn't hear more about what that proposal does before we
5 make a decision now on whether to keep health care in or
6 out. Can anyone speak to that?

7 Senator Durenberger: I cannot speak for the
8 Administration, but I can tell you that you are not going to
9 hear anything from the Administration for a little while,
10 and it may not make that much difference. The greater
11 difference would be what we did about the changing the
12 reimbursement for Medicare.

13 The Chairman: Could I ask Carolyn Weaver, our Staff
14 Director on Social Security Area, working with Mike Stern,
15 if there is some difference of opinion.

16 What was the rationale for excluding HI?

17 Ms. Weaver: Our logic there was that the borrowing
18 should just be between the cash benefit programs because
19 there were serious problems facing the Medicare trust fund,
20 and presumably this reallocation back toward the HI trust
21 fund by the end of the decade would prevent earlier deficits
22 from occurring in the HI trust fund, but nevertheless it
23 would still require congressional action to deal with those
24 deficits.

25 We were trying to avoid the possibility that serious

1 deficits at the end of the decade in Medicare would actually
2 cause very serious financial difficulties for the cash
3 benefit trust fund, when it is clear that Medicare is going
4 to require direct congressional action.

5 The Chairman: I would ask Mike Stern if he agrees?

6 Mr. Stern: I would agree with that, and if you decide
7 subsequently to have a substantial new source of money for
8 the hospital insurance fund, at that time you should look at
9 the allocation.

10 The Chairman: Could we do it then?

11 Mr. Stern: Yes.

12 Senator Heinz: I would support the fact that it makes
13 the maximum flexibility available. I have a commitment that
14 I have to honor. I hope I can be back before the vote, but
15 if not, you have my proxy. We have discussed what we are
16 going to do, and I think we are on the right track.

17 The Chairman: In view of what has been stated, Jack,
18 don't you think that we could take care of that at that
19 time?

20 Senator Danforth: I do.

21 Senator Moynihan: Yes.

22 The Chairman: Is there any objection?

23 Senator Bradley: In other words, we are saying that we
24 change the tax rate, and you allow only borrowing between DI
25 and OASI. I personally would not support that because I

1 think there are a number of things that could happen between
2 now and 1990 that might bring some of the costs in the
3 health care sector generally under some control.

4 I know it is a dead horse now, but they estimate that
5 with the hospital cost containment they would save \$5 to \$6
6 billion. So I don't want to foreclose the opportunity now
7 to have borrowing and still not have the excessive drain on
8 the HI.

9 The Chairman: We can have an additional reallocation.
10 We can change that at any time to meet that problem. I
11 think we have an obligation to do that. My view was to have
12 interfund borrowing, but I understand from the technical
13 standpoint it is better to have both.

14 Mr. Myers: Yes, I think so, Mr. Chairman.

15 The Chairman: Do you agree with that, Mike.

16 Mr. Stern: Yes, sir.

17 Senator Moynihan: I wonder if we have not let the
18 option open in a very specific way on the part of the
19 committee's proceeding. But if we do, and we ought to get
20 more money into HI, and get the HI costs contained, we can
21 raise the question.

22 Senator Danforth: That is clear. If we do find
23 another source of funds for HI, at that point we can allow
24 for some further shift.

25 Is that your view, Carolyn?

1 Ms. Weaver. If you injected more revenue into the HI
2 that could simply have been drained off by the other trust
3 funds through borrowing. Through a tax reallocation, we can
4 focus that on any trust fund you want to. Then you can
5 reallocate it if it builds up too high.

6 Mr. Stern: That is what you had in the past.

7 Senator Bradley: There is some expectation of looking
8 for other sources?

9 Senator Danforth: Yes.

10 Senator Moynihan: Under the circumstances, I would
11 move the adoption of the proposal.

12 Senator Armstrong: With respect to this motion of
13 interfund borrowing and reallocation.

14 The Chairman: Without objection, that first part would
15 be agreed to.

16 Bob, let's move to the restoration of the minimum
17 benefit, with certain limitations, I think, in addition,
18 what the cost impact is as compared to what would happen if
19 we do nothing by next March.

20 Mr. Myers: Under this proposal, the minimum benefit
21 for present beneficiaries would be restored, except for two
22 categories. The minimum benefit provision would not be
23 applicable to people coming on the rolls in November of this
24 year and later. They would get the so-called earned benefit
25 based on their earnings records.

1 The limitation is that the minimum with respect to
2 people who are receiving government employee pensions,
3 Federal, State or local, would be reduced by one dollar for
4 every dollar of such pension up to a maximum of such pension
5 that is in excess of \$300 a month. In other words, if they
6 had a pension of \$350 a month from civil service retirement,
7 the minimum benefit that they are now getting would be
8 reduced by \$50, but never to less than their earned
9 benefit. So if their earned benefit was only \$25, that
10 would be all the reduction.

11 The same thing would also apply to beneficiaries living
12 outside the United States, the United States being not only
13 the 50 states, but also Puerto Rico and so forth.

14 The Chairman: We have also taken care of any notch
15 problem.

16 Mr. Myers: There is no notch problem. This is a
17 dollar for dollar reduction, and this is following the
18 precedent of what was done in the 1966 legislation.

19 The Chairman: Let's just say we restore the amount of
20 minimum benefit, do we end up with any savings, and if so
21 how much?

22 Mr. Myers: Yes, there would be savings of
23 approximately \$1 over the five year period, as opposed to
24 restoring the minimum benefit for everybody.

25 The Chairman: If you did nothing, what would be the

1 saving?

2 Mr. Myers: As a result of the reconciliation bill
3 there was a savings of \$5.0 billion.

4 The Chairman: So this would be \$1 billion, and we are
5 talking about an 80 percent restoration.

6 Mr. Myers: Yes, it is actually \$1.4.

7 The Chairman: So you are talking about less than 80
8 percent.

9 Senator Mitchell: I would like to ask Mr. Myers a
10 couple of questions. Would you please explain the process
11 by which the determination was made to exclude persons
12 receiving government pensions; what is the logic of that?

13 Mr. Myers: The logic of that was, as to the excess of
14 the minimum benefit over the earned benefit, that this was a
15 windfall portion of the benefit and this was coming out of
16 government funds, and they were already receiving pensions
17 from governmental funds.

18 Senator Mitchell: Isn't it a windfall for everyone who
19 now gets a minimum benefit?

20 Mr. Myers: Yes, but the others are not getting
21 governmental payments through another channel?

22 Senator Mitchell: Those who are receiving government
23 pensions, those pensions were earned by efforts?

24 Mr. Myers: It could be looked on that way, yes, but
25 the money comes from the government itself, and not their

1 own contribution.

2 Senator Mitchell: I am trying to understand. The only
3 difference then as between the person who receives a
4 government pension and one who has not is just that, that
5 they are receiving a pension from the government.

6 Mr. Myers: A lot of the pensions are paid out of
7 governmental funds, and not their funds.

8 Senator Mitchell: Is there any difference in tax
9 treatment, or any other rationale for using government
10 pensions?

11 Mr. Myers: That is the logic.

12 Senator Mitchell: When you say that it is governmental
13 funds, does that apply equally to all levels of government?

14 Mr. Myers: Yes.

15 Senator Mitchell: I understand you are making the
16 exception apply to them, but one of the arguments for
17 excluding them was that some of their governmental pension
18 rights were paid for by their employer, which is the
19 government, is that not the case with persons who are
20 receiving private pensions?

21 Mr. Myers: The thing is, the people who are receiving
22 private pensions are also under social security.

23 The Chairman: They paid social security tax all that
24 time.

25 Senator Mitchell: I am not against it, I am just

1 trying to find out why.

2 Ms. Weaver: The fact that they have a government
3 pension, and perhaps a sizable one, indicates that they have
4 been in non-covered employed for possibly substantial
5 periods of time, and that is probably the cause of their low
6 average earnings under social security. As consequence, it
7 is an indication that they were, so to speak,
8 double-dipping.

9 The fact that they go the very high return on their
10 small tax payment for their low average earning was not
11 because they had a history of low wages, but because they
12 had long periods of employment not covered by social
13 security, whereas somebody on a private pension undoubtedly
14 was getting both types of pensions.

15 Senator Mitchell: I have other questions on this
16 proposal, on other aspects.

17 Senator Armstrong: I want to follow up on your
18 inquiry. Have you calculated what the dollar back would be
19 if we applied the \$300 test across the board, \$300 from any
20 source?

21 Mr. Myers: If you apply to any sort of pension, there
22 would be very little impact because most people who are
23 receiving other pensions from private employers have been
24 under social security and they are getting far more than the
25 minimum benefit. Even government employees who in some

1 states are under social security, their pensions would not
2 be affected because by being under the social security and
3 the state employment, they are getting far above the
4 minimum.

5 Senator Mitchell: How was the figure of \$300 arrived
6 at?

7 Mr. Myers: It was felt you had to have some sort of a
8 figure.

9 Senator Armstrong: May I ask one additional question,
10 and then I will have to excuse myself as I explained
11 earlier.

12 As used here, what does the term "resident" mean?

13 Mr. Myers: This is as is done in present law, it means
14 that they maintain a residence in the United States, that
15 they are actually. They could be going abroad for a short
16 time. There is no citizenship requirement.

17 Senator Armstrong: I don't know how resident is used
18 in this particular context, but ordinarily in the law
19 residence is a question of intent, it doesn't really have
20 anything to do with where you are physically domiciled.

21 Here the concern that is addressed is the question of
22 whether or not must live most of the year in the United
23 States. I am not sure we are getting really what we want.
24 If a citizen of the United States is a voting resident of
25 Minnesota, the fact that he may spend a large part of the

1 year, even all of the year in some other place, I don't know
2 that this ought to disqualify them from receiving the
3 benefit if they are otherwise entitled.

4 Mr. Myers: I don't think in that particular case the
5 person would be adversely affected. In the case that was
6 just given, the person would not be adversely affected.
7 The person would be considered as a resident.

8 Senator Armstrong: Even though they might be out of
9 the country, and the check might be sent there.

10 Mr. Myers: Yes.

11 Senator Mitchell: Have you considered the
12 constitutional aspects of this? Do not all Americans have
13 the constitutional right of free travel in the world, living
14 where they want to. Have there been any cases on this
15 point?

16 Mr. Myers: This is something we have been doing under
17 present law since 1966.

18 Senator Mitchell: Excluding them from receiving social
19 security benefits if they are outside the United States?

20 Mr. Myers: It has to be based not on citizenship
21 because we have certain treaties to treat citizens and
22 non-citizens alike. Citizens living outside the United
23 States are under different restrictions than citizens living
24 in the United States.

25 Senator Mitchell: This would be extended to a new

1 category of beneficiaries, a principle that has been applied
2 in other areas of social security?

3 Mr. Myers: That is correct.

4 Senator Mitchell: Has this ever been challenged in the
5 courts?

6 Mr. Myers: Not to my knowledge. I know that it has
7 never been challenged successfully. It operates as a
8 different retirement test for people living outside the
9 country.

10 Senator Armstrong: Mr. Chairman, is it your desire to
11 act at this time?

12 The Chairman: Yes.

13 Senator Armstrong: I must excuse myself. I would like
14 my proxy cast in favor of it, but I want the committee to
15 know I have some reservations about the formula to exclude
16 \$300 in government pension income, and I may have something
17 more to say about the floor and conceivably an amendment. I
18 am not quite comfortable about distinguishing government
19 pensions from any other kinds of pensions. When I have
20 thought about it, I may not have anything more.

21 In any case, to get a move on, I would like to be
22 reported in favor of it.

23 The Chairman: I have asked Bob to explain what we have
24 tried to do. I think there is some general agreement that
25 we should do this. This is to pay for the restoration, and

1 we suggested two things that can be done that would just
2 about pay for it.

3 Senator Moynihan: May I ask one question about who is
4 eligible? It was suggested that the \$300 should apply to
5 persons with governmental pensions or pensions from
6 non-profit organizations. I take it that it is not our
7 intent to apply this rule to the persons from non-profit.

8 Mr. Myers: It is just the government employee
9 pension.

10 Senator Symms: Mr. Chairman, my whole reservation with
11 this is that I hate to see us back away from what the
12 reconciliation did, and send all the signals out today that
13 we don't have the courage to address the social security
14 problems.

15 I thought we made some headway this morning, and I
16 don't want to be an obstruction to the committee or wish,
17 except to say, if I go along with this, I would like to be
18 on record to say that I still think we must address the
19 overall picture, and make some long term corrections to
20 social security, otherwise we are sending out the wrong
21 signals. I am really concerned about that.

22 The Chairman: It is my own view, if we restore it, we
23 can find some other saving, so that we would not send out
24 the wrong signals.

25 Senator Symms: If we don't find some way to pay for

1 it, I don't see how in good conscience I could vote for it.
2 I would like to say that.

3 Senator Moynihan: Would it help you to know that the
4 savings were only \$3.7 billion, because the \$1.6 would have
5 been picked up by SSI; does that ease the pain?

6 Senator Symms: It is helpful.

7 The Chairman: I think we can recover most of that, and
8 if we do, is it all right to vote you for it?

9 Senator Symms: Yes.

10 Senator Bradley: When you say government pensions, you
11 mean Federal government, or state government as well, and
12 local governments?

13 Mr. Myers: Yes, sir.

14 Senator Bradley: Does it mean also school teachers?

15 Mr. Myers: Yes.

16 Senator Bradley: How would it specifically affect
17 school teachers?

18 Mr. Myers: If they were a school teacher who was
19 receiving the minimum social security benefit as a result of
20 probably not employment as a school teacher, and also
21 receiving a pension as a school teacher, the minimum benefit
22 that she is now receiving, which is \$179 a month, would be
23 reduce one dollar for each dollar of the school teacher
24 pension, but it would never below her earned social security
25 benefit.

1 So that if her earned benefit on her actual earnings
2 record was \$100 a month, and her school teacher pension was
3 only \$50, the \$170 would be reduced only by \$50. ON the
4 other hand, if she had a big school teacher pension, she
5 would go down to her earned benefit.

6 Senator Bradley: Do we have any idea how these
7 government pensions break down? What is the difference in
8 revenue, did you say that the difference in revenue was \$1.6
9 billion?

10 The Chairman: It is much more than that. What we are
11 doing, if I am correct, we are restoring about 85 percent of
12 the benefit; is that right?

13 Mr. Myers: No, Mr. Chairman, it would not be that
14 much.

15 Senator Mitchell: This exclusion saves \$1 billion.
16 Instead of restoring the full \$5 billion, we are restoring
17 \$4 billion, and this exclusion is the mechanism by which we
18 are not restoring the additional billion.

19 Mr. Myers: That is right.

20 Senator Moynihan: There are a number of people who
21 having lost their minimum benefit would become eligible for
22 SSI.

23 Mr. Myers: If you took this action, these people would
24 not go on SSI.

25 The Chairman: We are restoring the minimum benefit for

1 all but a handfull of people; right?

2 Mr. Myers: Yes.

3 The Chairman: So it is a major step toward total
4 restoration?

5 Mr. Myers: Yes.

6 The Chairman: Could you touch on the two things we
7 have done to pay for the restoration?

8 Mr. Myers: The two provisions that would repay the
9 cost of restoring the minimum benefit, the first is to
10 restore the payroll tax to the first six months of sick pay,
11 where the sick pay is under plan. The way it is now, it is
12 a very confused situation. The employer pays the employee
13 for sick pay, and it is taxable unless there is a formal
14 plan established, in which case it is not taxed.

15 Many employers rather making a couple of hours of sick
16 pay non-taxable, they pay the taxes on it anyhow. This
17 would say that six leave would be treated just like part of
18 their pay, or vacation pay, it would be taxed. After six
19 months, any sick pay that is paid is really considered a
20 disability pension, and would continue to not be taxable.

21 The Chairman: The second provision.

22 Mr. Myers: The second provision is to apply the same
23 maximum family benefit to retirement and survivor cases as
24 for disability cases. In essence, this means that the
25 maximum family benefit in all cases would generally be one

1 and a half times the primary basic benefit under social
2 security.

3 At present, lower income people are limited to this one
4 and a half times, but as for higher earnings people, the
5 maximum family benefit goes up to as much as 188 percent of
6 the primary benefit. This would make a maximum straight 150
7 percent of the primary benefit across the board, all income
8 levels.

9 Senator Mitchell: Why is it low income persons?

10 Mr. Myers: That is the way it was developed over the
11 years. It was done by various patchwork procedures, and in
12 1980 for the disability benefit it was made this uniform 150
13 percent. This proposal would just set it at the same
14 maximum 150 for all types of cases.

15 Senator Mitchell: I would like to ask another
16 question.

17 Ms. Weaver: That would certainly only apply to
18 families who are not yet on benefit rolls, for records that
19 have not turned 62. This would only apply to families who
20 are not yet on the benefit rolls.

21 Mr. Myers: I would presume you would make this
22 effective for people first becoming eligible after this
23 year.

24 Senator Mitchell: I wanted to ask about the nuns.
25 Since I don't fully understand it, I would like to ask you

1 how they would be affected by what we are proposing to do
2 here. They entered in 1972 as a result of legislation
3 enacted in that year, but due to the limitation in the 1972
4 legislation, according to these numbers, they are now
5 entitled to more than the minimum benefit. A recent vote by
6 the Senate and the House will eliminate to the members of
7 this religious institution this extremely important benefit,
8 and modifies the effect of the 1972 religious legislation.

9 Am I to understand that people in this category have
10 their benefits restored under what we are proposing to do
11 now?

12 Mr. Myers: Yes, those who are now on the rolls, this
13 would restore it, but those coming on the rolls in the
14 future would not be subject to the minimum benefit.
15 However, studies that we have made show that if these nuns
16 were members of religious order had come under coverage in
17 1972, those earned benefit would very closely approximate
18 this \$120 minimum, and in another few years it will be far
19 more than that.

20 Senator Mitchell: As of when? I understand what you
21 are saying as to those who are now in the system.

22 Mr. Myers: Their benefits would be protected.

23 Senator Mitchell: That is what I am saying. If we are
24 willing to single out government employees, is there any
25 logical reason that we not permit members of qualified

1 religious order, with careful restrictions to make certain
2 it was not subject to abuse, to give them the right to
3 receive the minimum benefit?

4 Mr. Myers: I think it would be rather difficult to
5 give one category the right to the minimum benefit, and
6 nobody else.

7 Senator Mitchell: Aren't we doing exactly the opposite
8 with respect to the restoration?

9 The Chairman: Didn't you say that most of them are
10 going to be taken care of?

11 Senator Mitchell: Let me make a further comment. My
12 proposal is that the effective date for eliminating the
13 minimum benefit as to those who have taken a vow of poverty
14 and are in a religious order be delayed for ten years. That
15 is a specific proposal relating to a specific group for a
16 limited period of time.

17 I think we should do that, Mr. Chairman, these are
18 people who have taken a vow of poverty.

19 The Chairman: It is not going to take ten years for
20 them to be covered, is it?

21 Mr. Myers: By and large no, if they came in in 1972.
22 In a few years, they would be up to \$122 minimum.

23 The Chairman: Let's make it five years.

24 Senator Mitchell: May I ask what the cost would be?

25 The Chairman: It is very little. It is the

1 administration that is a problem.

2 Senator Mitchell: If it is very little, why can't we
3 do it and extend it for ten years. If most of them are
4 going to be on in five years, there is no problem in making
5 it ten years because you are only picking up a few people.

6 The Chairman: Let's do it.

7 Senator Durenberger: May I ask another question?

8 Yesterday I asked you about the people that were
9 bailing out of social security. I am curious to know if by
10 saying government pension, are we penalizing any group of
11 local government employees who in effect paid into the
12 social security system, but also opted for a pension plan.

13 Mr. Myers: I don't think that the situation would
14 arise at all, because if they were covered while they were
15 government employees, they would not be getting the minimum
16 benefit.

17 Senator Bradley: What about school teachers?

18 Mr. Myers: In some states school teachers are under
19 social security.

20 Senator Bradley: In how many states are they?

21 Mr. Myers: I know there are some states where they
22 are, and some states where they are not. Maryland, I know,
23 they are, and in New York they are. But there is a subset
24 where the school teacher system is completely out of social
25 security.

1 Senator Durenberger: I would hate to see another part
2 of the system that discourages local government from going
3 into social security, if we can avoid it.

4 Mr. Myers: I don't think that this would discourage
5 them, because this applies to people who are already on the
6 rolls, and have already retired. They are people who were
7 not under social security and they are getting the minimum
8 social security benefit as well as the local pension.

9 Senator Bradley: Is there any way you could extend
10 that number of years as we did with nuns for the school
11 teachers?

12 The Chairman: What is the question?

13 Senator Bradley: The question is whether you could
14 accord to the school teachers the same treatment in
15 extending the number of years as we did to the religious
16 order.

17 The Chairman: I think there is a reason for the one,
18 and I don't see the reason for the other.

19 Senator Chafee: Could I ask, the thing that we just
20 did on the nuns, we are saying that any of those who retire
21 in the next ten years will be entitled to the minimum
22 benefit?

23 Mr. Myers: If their earnings records do not produce
24 more.

25 Senator Chafee: We are going to treat them differently

1 to anybody else, is that fair?

2 The Chairman: They could not get on until 1972, and
3 the 1972 amendment enabled them to get on.

4 Senator Mitchell: So they were treated differently.

5 Senator Chafee: I am not arguing against it. Are we
6 saying that anybody in that category should have the time
7 in?

8 The Chairman: No, we are limiting it to religious
9 orders, and it is a very small number of people.

10 Senator Chafee: Who else was not permitted to be in
11 it?

12 Senator Bradley: Fathers were kept off for a long
13 time.

14 Mr. Myers: They came in in 1955.

15 Senator Chafee: Whatever we do, we ought to do fairly
16 to the various groups. What other groups were not covered
17 by social security?

18 Mr. Myers: The last group that were brought into
19 coverage were the members of religious orders. Other groups
20 were brought in in 1965 like the physicians. The religious
21 orders have just been covered recently.

22 The Chairman: I am convince not only from this
23 discussion, but from the previous discussion with Mr. Myers,
24 most of them are going to have more than the minimum. In
25 any event, I would hope that we might agree to this

1 proposal. Senator Long said that it was satisfactory with
2 him.

3 Senator Grassley: Yes.

4 The Chairman: Does anybody object to this proposal?

5 Senator Moynihan: You mean the last two?

6 The Chairman: Yes.

7 Senator Moynihan: I think Senator Bradley and I, and
8 some others would feel we had to consult with our caucus.

9 The Chairman: I wonder if the majority would support
10 that proposal, and leave the record open so we could record
11 the vote.

12 Senator Moynihan: It would have to be open more than
13 today.

14 Senator Bradley: Do you mean that we are taking a vote
15 on the full proposal?

16 The Chairman: Yes.

17 Senator Bradley: We are going to have a roll call
18 vote?

19 The Chairman: I don't need a roll call vote, but if
20 you want a roll call vote, I will be happy to have one.

21 Senator Bradley: I would like to feel that we could
22 support this, but if we are forced to a vote now I could not
23 vote for cutting the benefits, and I probably would want to
24 get a vote on each part of it, both the restoration of the
25 minimum and the cutting of the benefit.

1 The Chairman: What we hope we have is a package here
2 that we can report to the floor as a committee amendment,
3 and take action on it. We have two vehicles. One is the
4 debt ceiling, and the other is the Bolling bill. It would
5 be my hope that we could resolve this as a committee
6 amendment and to offer it. I want to kept the debt ceiling
7 open, frankly, if we can, and this might save two days
8 debate on the floor if we can report something out of our
9 committee favorably.

10 Senator Moynihan: Mr. Chairman, could the minority
11 members caucus for a moment, and we will come back in about
12 15 minutes?

13 The Chairman: We could go ahead and record those who
14 would like to be recorded, and then they would not need to
15 come back.

16 Mr. Myers: Could I bring up one more point. On the
17 members of religious order, could you restrict this a bit to
18 say that they were covered in 1972 when they first could be
19 covered, because there are some religious orders that are
20 not covered now, and it would not seem that the minimum
21 should apply to people who did not come in at their first
22 opportunity.

23 Senator Mitchell: Except that they did not know that
24 the opportunity was going to be foreclosed.

25 The Chairman: All those in favor of the proposal

1 signify by the sign of aye.

2 Senator Chafee: Let's wait.

3 Senator Baucus: I think we should vote after we meet.

4 The Chairman: If you are not able to come back, you
5 can cast your vote by proxy.

6 We will return in 15 minutes.

7 (Recess.)

8 The Chairman: Senator Long, when you left, we were in
9 the process of discussing what I would hope to be a package
10 that the committee would agree on. I think it has been
11 worked out, maybe not totally, to the satisfaction of
12 everyone. I hope that we might have a vote on it.

13 Senator Moynihan: Mr. Chairman, we will be happy to
14 vote on it. If you call the roll, you will learn the
15 outcome.

16 Mr. Lighthizer: Mr. Packwood.

17 The Chairman: Aye.

18 Mr. Lighthizer: Mr. Roth.

19 Senator Roth: Aye.

20 Mr. Lighthizer: Mr. Danforth.

21 Senator Danforth: Aye.

22 Mr. Lighthizer: Mr. Chafee.

23 Senator Chafee: Aye.

24 Mr. Lighthizer: Mr. Heinz.

25 Senator Heinz: Aye.

1 Mr. Lighthizer: Mr. Wallop.
2 Senator Wallop: Aye.
3 Mr. Lighthizer: Mr. Durenberger.
4 (No response.)
5 Mr. Lighthizer: Mr. Armstrong.
6 The Chairman: Aye.
7 Mr. Lighthizer: Mr. Symms.
8 The Chairman: Aye.
9 Mr. Lighthizer: Mr. Grassley.
10 Senator Grassley: Aye.
11 Mr. Lighthizer: Mr. Long.
12 Senator Long: Aye.
13 Mr. Lighthizer: Mr. Byrd.
14 (No response.)
15 Mr. Lighthizer: Mr. Bentsen.
16 Senator Bentsen: Aye.
17 Mr. Lighthizer: Mr. Matsunaga.
18 (No response.)
19 Mr. Lighthizer: Mr. Moynihan.
20 Senator Moynihan: Aye.
21 Mr. Lighthizer: Mr. Baucus.
22 Senator Baucus: Aye.
23 Mr. Lighthizer: Mr. Boren.
24 The Chairman: Mr. Boren votes aye.
25 Mr. Lighthizer: Mr. Bradley.

1 Senator Bradley: Aye.

2 Mr. Lighthizer: Mr. Mitchell.

3 Senator Mitchell: Aye.

4 Mr. Lighthizer: Mr. Chairman.

5 The Chairman: Aye. Mr. Durenberger votes aye.

6 The ayes are 19. Senator Byrd may want to be
7 recorded.

8 What I hope we might do, if nobody disagrees, is to
9 report this to as a committee amendment. It is all right to
10 have some flexibility. There are two vehicles on the floor,
11 and I certainly will consult with Senator Long before I do
12 anything. If you will trust me with that, I think it might
13 save us a couple of days of debate.

14 Mr. Lighthizer: The effective date on the government
15 pension would be June 1, which will give them a few more
16 months to get ready over at SSA.

17 Mr. Myers: We would like that.

18 The Chairman: Those that are going to be offset?

19 Mr. Lighthizer: They would have the minimum benefit
20 for a few more months.

21 Senator Moynihan: Do you want to make a motion, Mr.
22 Chairman.

23 The Chairman: Yes, that it be effective on June 1st.

24 Senator Moynihan: I second the motion.

25 The Chairman: Without objection.

1 I appreciate very much what I think is a good package.
2 I am not sure what else we have accomplished.

3 Senator Moynihan: Mr. Chairman, we think that this is
4 a good package. The minimum benefit which was abolished in
5 the reconciliation legislation has been restored, and the
6 integrity of the system as a promise to people has been
7 restored, and this is something that we all care about on
8 both sides. You can trust the social security system. I
9 thank you, sir.

10 The Chairman: I understand that Senator Childs has
11 offered the restoration of the amendment on the
12 appropriation bill, so I hope that we can present this as a
13 package at the appropriate time, and not start piecemealing
14 the restoration.

15 Senator Long: What he is offering in there is to say
16 that no funds would be used to implement the repeal.

17 The Chairman: Maybe that is consistent with what we
18 have done.

19 (Whereupon, at 5:15 p.m., the committee adjourned,
20 subject to call of the Chair.)

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SUMMARY OF PROPOSAL FOR FINANCE COMMITTEE CONSIDERATION
RELATING TO SOCIAL SECURITY

(Prepared by the staff of the Committee on Finance)

	Cost or Savings in calendar year (in billions)					
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1982-86</u>
Reallocation and interfund borrowing authority	--	--	--	--	--	--
Restoration of minimum benefit to present beneficiaries with certain limitations	+0.8	+1.1	+1.1	+1.1	+1.1	+5.3
Extend payroll tax to first 6 months of sick pay (increased receipts)	-0.4	-0.4	-0.5	-0.6	-0.6	-2.5
Extend disability maximum family benefit to retirement and survivor cases	-0.1	-0.5	-0.6	-0.8	-1.0	-3.0
	-----	-----	-----	-----	-----	-----
Net cost (+) or savings (-) in trust funds	+0.3	+0.2	--	-0.3	-0.5	-0.2

PROPOSAL AS TO REALLOCATION OF SOCIAL SECURITY TAX RATES
AND INTER-FUND BORROWING

- (1) The combined tax rates for OASDI and HI would be left the same as present law in all future years.
- (2) The tax rate allocated to OASI would be increased for 1982 and after (see attached table).
- (3) The tax rate allocated to DI would be reduced for 1982 and after (see attached table).
- (4) The tax rate for HI would be reduced for 1982-85, would remain the same for 1986-89, and would be increased for 1990 and after (see attached table).
- (5) Inter-fund borrowing would be allowed as between the OASI and DI Trust Funds, in amounts and times at the discretion of the Managing Trustee (the Secretary of the Treasury). The loans would be repayable with appropriate interest.

Interfund reallocation and borrowing authority

Present law. -- Under present law, the largest of the three trust funds supported by the social security payroll tax is the Old-age and Survivors Insurance (OASI) fund. This fund is responsible for the basic retirement and survivors benefits program. The assets of this fund are now quite low in relation to its annual benefit obligations and action is required to assure that payments can continue through 1982. By contrast, both the Disability Insurance and Hospital Insurance funds have assets which should be adequate for a somewhat longer period. Under present law, however, the funds cannot be interchanged in such a way that a deficit in one fund could be met by a transfer from the other funds.

Proposal. -- To lengthen the period over which benefits obligations of the OASI fund can be met, the allocation of the social security tax collections among the three trust funds could be changed in such a way as to place a much greater proportion of the overall tax in the OASI fund and a lesser portion in the HI and DI funds. In effect, this would result in a drawing down of the HI and DI fund balances in order to strengthen the OASI fund over the next ten years. The proposal includes a further change in allocations to take effect in 1990 when the situation in the cash benefits funds becomes more favorable so as to return to the HI fund much of the amounts which are now being diverted to the OASI fund. These changes would be accomplished by a statutory change in the tax rates and allocations applicable to these funds but would involve no change in the overall social security tax rate.

In order to provide additional flexibility in meeting benefit obligations over the next ten years, the proposal would also give the Secretary of Health and Human Services authority to further modify the allocation of taxes as between the OASI and DI funds so as to enable these two funds, in effect, to borrow from each other. Such action would be necessary only if the present projections as to the relative demands on those two fund prove incorrect. This interfund borrowing authority would expire at the end of 1990 and it would involve only the two cash benefits funds.

The following table shows the proposed statutory reallocation among the funds.

POSSIBLE REALLOCATION OF SOCIAL SECURITY
TAX RATES FOR EMPLOYERS AND EMPLOYEES, EACH

Calendar Year	OASI		DI		HI		TOTAL	
	Present Law	Proposal	Present Law	Proposal	Present Law	Proposal	Present Law	Proposal
1982-84	4.575%	4.985%	0.825%	0.655%	1.30%	1.06%	6.70%	6.70%
1985	4.750%	5.150%	.950%	.650%	1.35%	1.25%	7.05%	7.05%
1986-89	4.750%	5.100%	.950%	.600%	1.45%	1.45%	7.15%	7.15%
1990 and later	5.100%	5.150%	1.100%	.750%	1.45%	1.75%	7.65%	7.65%

Note: The above allocations are based on preliminary actuarial calculations and are intended to show the general nature of the tax rates under the proposal. However, it is believed that the results from the final calculations will differ only slightly.

Partial restoration of the minimum benefit

Present law: The minimum benefit will be eliminated for all people who become eligible for benefits for the month of November 1981 and later. The minimum benefit will be eliminated for all other beneficiaries beginning with benefits for March 1982.

Proposal: Restore the minimum benefit for all people who are eligible for benefits before November 1981 and who are residents of the United States.¹ Minimum beneficiaries with governmental pensions would have their minimum benefit reduced dollar-for-dollar for the portion of their governmental pension above \$300, but not below the amount of the benefit based on their actual earnings. Notwithstanding the provisions of the Tax Reform Act of 1976, the Social Security Administration would have the authority to use the reports of pension income transmitted to the IRS by pension plans.

COSTS:

(In billions of dollars, calendar years)

	1982	1983	1984	1985	1986
Short range:	.5	.8	.8	.8	.8
Long range:	0.01 percent of taxable payroll				

(1) Residents of the 50 States, District of Columbia, Puerto Rico, Guam, Virgin Islands, and American Samoa.

Extend social security payroll tax to first 6 months of sick pay

Present law: Sick pay is subject to social security taxes and is treated as covered earnings unless it is either: (1) paid under a qualified plan or system or (2) paid more than 6 months after the last month the employee worked. A plan or system is "qualified" if it applies to the employees of a firm generally (or to classes of employees) and has definite standards both for eligibility, and for duration and amount of benefits. If the employer's plan or system is qualified, the payments are excluded regardless of whether they are made from the employer's regular wage or salary account or from a separate fund or insurance.

Proposal: Remove exclusion of sick pay under a plan or system during the first 6 months the employee is off work if the payments are made from the employer's regular wage or salary account. This provision would be effective for sick pay paid in January 1982 and thereafter.

ADDITIONAL INCOME:

(In billions of dollars, calendar years)

	1982	1983	1984	1985	1986
Short-range:	.4	.4	.5	.6	.6
Long-range:	0.02 percent of taxable payroll				

The cost effects over the long-range represent an excess of increased OASDHI revenue over benefit outgo. In the short-range, the primary effect would be increased OASDHI revenues.

Extend disability maximum family benefit to retirement and survivor cases

Present Law: There is a limit on the amount of monthly benefits that can be paid on the earnings record of one worker. This limit is known as the maximum family benefit (MFB). In retirement and survivor cases, the MFB ranges from 150 percent to 188 percent of the PIA (primary insurance amount). In disability cases, the MFB can be no more than 85 percent of the worker's average indexed monthly earnings (AIME) or 150 percent of the PIA, but, in any case, no less than 100 percent of the PIA.

Proposal: The present law disability maximum family benefit formula would be extended to retirement and survivor cases, for workers reaching age 62 or dying after 1981.

SAVINGS:

(In billions of dollars, calendar years)

	1982	1983	1984	1985	1986
Short-range:	.1	.5	.6	.8	1.0
Long-range:	0.10 percent of taxable payroll				