

**Statement of Senator Charles E. Grassley, Chairman
Senate Special Committee on Aging Hearing
A Starting Point for Reform: Identifying the Goals of Social Security
February 10, 1998**

This hearing will now come to order. Thank you all for attending the Aging Committee's first hearing of this session. We will be hearing important testimony on how to confront an issue of great concern -- the financial problems of the Social Security program. This is one program which calls out for reform. In order to save Social Security for the future, we must act. And the sooner, the better. Social Security provides the vast majority of resources to people in retirement. Without Social Security, many retirees simply could not survive.

When President Clinton recently called out for action on the need to reform the Social Security program I was very encouraged. The President opening a public dialogue and putting a timetable in place is action embraced by all of us in Congress who already have been talking about the crucial need to reform Social Security. But we here in Congress also understand that tackling a problem as large and as sensitive as Social Security requires presidential leadership. So, on behalf of my colleagues I say: President Clinton, welcome to the debate.

Before I discuss the focus of today's hearing, I would like to address the issue of the projected Federal budget surplus. Of course there is no surplus yet. But from all the talk, you'd think the money was burning holes in everyone's pockets.

Since the President made his pledge to save Social Security first, we have been trying to unravel exactly what those words mean. They do not mean that the President proposed to transfer Social Security revenue into some account walled off from the Treasury. Not at all.

What those words do mean is that in the short-term, we should not spend any budget surplus until we have enacted a program to restore the long-term viability of Social Security. In practical terms, not spending the surplus will reduce the Federal debt. We must make full use of the window of opportunity made possible by a budget surplus. But reform of the Social Security program will present a substantial challenge.

The Social Security program is now 62 years old and may be starting to show its age. The program that was created in the 1930s looks very different. The country it was designed to serve looks very different. We have more two-earner families and we have many more people covered by private pensions. But the greatest change society is undergoing is the dramatic shift in the number of Americans who are over the age of 65. In 1940, 8 percent of the United States was 65 or older. By the year 2030, that number will increase to 20 percent. Life expectancy for men who reached age 65 in 1940 was 12 years. By 2000, it is projected to be 15 and a half years. For women, life expectancy at age 65 was 13 years. By 2000, it will be almost two full decades -- 19 years. Just think what life expectancy rates we may achieve in the future as we continue to reap the benefits of advances in medical technology.

Changes of those demographic proportions have made reform of the program inevitable. Consideration and study of a variety of proposals to reform Social Security is now underway. Some proposals assume no major restructuring of the Social Security program. However, other proposals go beyond restoring financial balance.

Dramatic changes to the program have been proposed which try to meet other objectives that are new to the Social Security equation. For instance, providing a reasonable rate of return on contributions is a

relatively new objective. Unfavorable returns for future generations mean that Social Security is not a good investment when looked at strictly from a retirement perspective.

For some, reform of Social Security is about how to continue providing individuals with an adequate income when their working years have ended because of old-age. But for others, the debate over Social Security will be much wider in scope.

The purpose of this hearing is to sort out the objectives that different groups want to achieve through Social Security reform. There have been many different road maps for reform laid out before us. But a map doesn't do you any good if you don't know where you want to go. In order to evaluate the various reform proposals, we first need to come to a consensus on the role Social Security should play in our lives.

We have asked a diverse group of witnesses to discuss their objectives and the priority they would put on those objectives. We will hear from the Commissioner of the Social Security Administration, Kenneth Apfel. The Commissioner will present the first testimony by an SSA official on the issue of the reform of the Social Security program since the President's state of the union address.

We will also hear from former Congressman Tim Penny, an officer of the AARP, Joseph Perkins, and Fidel Vargas, a member of the 1994-1995 Advisory Council on Social Security. These witnesses will provide us with their views on what the mission of Social Security should be in the next century. Finally, Jane Ross of the General Accounting Office will be here. Ms. Ross will describe some of the conflicts that arise in trying to achieve the objectives our other witnesses discussed.

With the President's call for national public forums, Social Security reform has been put on hold for one more year. One of the first priorities in this discussion will be to reach some understanding of the objectives Americans want this reform effort to achieve. Let me repeat this: Unless we come to some agreement on what Social Security will do, reform will not succeed.

I hope this hearing will push this dialogue in a positive direction by opening up the lines of communication between those who want to keep the status quo and those who are calling for an overhaul of our social security system.