Good afternoon. I call this hearing to order. In recent weeks Social Security reform has come to the forefront of discussion and debate in this country. Three weeks ago, President Clinton held the first of four national "town meetings" on Social Security reform in Kansas City. I want to applaud the President for his efforts to bring this debate to the level of national prominence which it requires. I also want to applaud the policymakers who have put forth proposals which provide a starting point for the national debate.

These proposals each entail similar components of reform: Raising the retirement age, extending the years of work used to calculate benefits, adjusting cost of living increases, and using the stock market as an investment vehicle to bring more money into the system.

I like to compare it to a group of bakers who have been charged with baking a chocolate cake. Each baker has a different cake recipe with altering amounts of similar ingredients. All of the recipes have certain ingredients in common - ingredients fundamental to baking a cake. Similarly, almost all of the reform proposals which have been put forth by policymakers, academics and legislators have elements in common. One of the most hotly debated elements that almost all the Social Security reform proposals have in common is the idea of investing all or part of the Social Security trust fund revenue in private markets. The focus of today's hearing is that very topic - the implications of investing trust fund money in the stock market.

Before we go any further I think it is worth while to explain the role of the trust funds. There has been a lot of misinformation and just plain ignorance over the years. Often by lawmakers -- the very people charged with explaining the system to the American public -- about how the trust funds work. That is unfortunate because it is difficult to honestly debate reform proposals when there is misinformation clouding the issue.

The Social Security trust funds are an accounting device used by the government in order to keep track of the money going in and the money coming out. Current workers pay taxes which fund the benefits of current beneficiaries. The system has always worked this way. This was not a problem in the early years of the program when the system was paying out in benefits what it took in in revenues. Back in the 1980s, this has changed. While still more or less pay as you go, we have a cash surplus in our unified budget, thanks to Social Security. This motivated my colleague Senator Moynihan to propose a payroll tax cut, to return the program to entirely pay-as -you-go.

But the pay-as-you-go scheme is being put into question. The idea of investing trust fund revenue in the stock market is a move toward pre-funding some of the retirement income promises we have made to the country's retired workers and those who are working age but are unable to work.

This afternoon's hearing will shed some light on the risks and the rewards of investing trust fund revenues in the stock market. We will focus on two approaches -- letting the government invest in the market, or allowing workers to invest a portion of their payroll tax in an individually-owned account.

We are fortunate to have with us today two panels of experts who will explain different approaches to investing trust fund money in the stock market and the effects trust fund investing will have on individuals, the economy, and national savings.

There are a lot of questions that need to be addressed before we can begin investing trust fund monies in instruments other than special nonmarketable government bonds. Will there be individual accounts or will the pot of money be invested as a whole? How much individual control and how many investment options should be available? Should investments be restricted to domestic bond and stock markets or should there be investment options in foreign bond and stock markets as well? There are advantages and disadvantages to each of these approaches.

To help us sort through these questions, we asked the General Accounting Office to testify. The GAO and the Aging Committee are releasing a report today that analyzes the implications of allowing a change in trust fund investment policy from special Treasury securities to permitting investment in the stock market. We have two economists also on the panel who will discuss their views on how best to approach the issue of stock investing.

The second panel consists of three individuals who bring to the table unique perspectives on the feasibility of using the stock market to provide workers with some portion of their retirement income.