

**Senator Charles E. Grassley**

**Opening Statement**

**March 1, 1999**

I would like to call this hearing to order. Thank you all for joining us this afternoon. Before I get into the subject of today's hearing, I want to say Happy Birthday to my colleague, Senator Breaux.

I would also like to thank Deputy Secretary Summers for participating in the hearing. We are pleased to have you here. Today the Committee will address two important issues: President Clinton's Social Security proposals and other revenue options to save the program. I hope this hearing will put reform back on track. Last year's public discussion seemed to get us going in the right direction. When President Clinton spoke to a group of college students at the University of Illinois in January of 1998, he said Social Security reform should not be about imposing intolerable burdens on our children. He asked some questions: What is the fairest way to change this? What is best for the baby boomers? What is best for high school kids who haven't even started in the system yet?

I agree that those are the questions that need to be raised. I do not believe that the President's budget proposal remotely begins to answer them.

I have acknowledged that paying down debt is a valid goal. That is not the point of disagreement. What we need to be debating is whether general revenue financing should have a role in the Social Security program? Financing an entitlement program for the elderly with general revenues is not new. We have two charts -- the first shows Medicare income for 1997. As you can see, Medicare receives about 60 billion dollars in general revenues right now. The next chart shows that only about 54 percent of that income came from the payroll tax. The rest is financed by general revenues, out of pocket costs for seniors, and premiums.

We need to decide if it is wise to bet the farm on huge budget surpluses as a way to avoid making tough choices. By saying that the President has avoided tough choices I do not mean that his solution is painless. First, this new budget assumes that the discretionary part of the budget will be 25% cheaper in years to come. Is that realistic? I am sure future Congresses will want government to provide a variety of services to their constituents, from medical research to child care improvements. Budget projections should reflect that. Second, we have all had experience with budget projections that somehow don't come true. Suppose we go along with the President's plan and the surpluses don't materialize. Interest costs will not decline to historically low levels. We will still have to transfer billions of dollars to the trust fund.

And we still haven't solved the financial problems and we have solved the demographic problems. Under the President's proposal, we still need to find ways to close the actuarial imbalance for another twenty years. That brings us to the second issue for today's hearing: other revenue options that would solve the problem. So far, most policy makers have said we need to stay away from increasing payroll tax rates.

Other options are still on the table. We want to assess the advantages and disadvantages of proposals that seek to add more revenue into the mix to keep pace with benefit growth. We have to keep in mind that there are other elderly programs facing funding shortages. Some of the same sources of revenue are

on the table on the health side as well. Hopefully, we will learn more about the support, or lack of support, for these options from all of our witnesses.

The first witness will be Lawrence Summers, a person who plays a very important role in formulating the Administration's policies on Social Security, revenues, and the budget.

We will then hear from a second panel representing a variety of viewpoints. The panel includes Dr. Rudolph Penner of the Urban Institute. He has done a lot of thinking about Social Security recently which I am sure will be very helpful to the Committee.

We also will hear from Edith Rasell of the Economic Policy Institute and Wendell Primus of the Center on Budget and Policy Priorities. They represent organizations which have conducted some thought-provoking research and analysis on various Social Security reform issues. And finally, we will hear from Martha Phillips of the Concord Coalition. Ms. Phillips and her organization have played a pivotal role in moving the Social Security debate forward as well as keeping us all honest.

We welcome all our witnesses.

