

**Opening Statement**  
**Senator Charles E. Grassley**  
**March 27, 2000**

Good morning. I'd like to start by asking a question: does the year 1990 seem like a very long time ago? If you're anything like me, it doesn't. Sure, we're all somewhat older, but ten years ago just doesn't seem that far away.

Well, we are now only ten years away from the year 2010, and that's the year in which the first baby boomers will begin to retire. Senator Breaux and I have used this committee to call attention to this at every opportunity, and now it's fair to say that we are really in the "homestretch." Ten years is not much time to get our house in order.

Everyone agrees, I think, that we need to take decisive action to save Social Security and Medicare. Today's hearing will focus on one of the most basic issues: Where can we find the money?

The Congressional Budget Office estimates that over the next decade the non-Social Security surplus will total more than \$1.8 trillion. So that is an obvious place to look for funds for Social Security and Medicare. However, I'm sure I don't need to tell anyone here that this is not "free money." This surplus will be amassed by taxing the incomes of the American people, and that's not something we should ever do lightly.

Sharply increased reliance on income taxes to fund benefits would be a dramatic departure from the original design of Social Security and Medicare. For the last 60 years, earmarked payroll taxes have funded Social Security benefits. For the last 35 years, we have used only payroll taxes for Medicare Part A, though we have used income tax revenues for the smaller Medicare Part B. Our task now is to assess the costs and benefits of making this change, so that we can approach it with our eyes wide open. That's what today's hearing is for.

This hearing is especially timely now, as the Senate works on the budget blueprint for next year. What to do with the income tax surplus is a key question.

I want to be up-front about the fact that I have concerns about income tax revenue transfers. Senator Breaux and I have sponsored a Social Security reform bill that largely avoids relying on these transfers. On the other hand, the President's proposals include substantial general fund transfers for both entitlement programs. It's important to note, however, that this is not a partisan issue, as there are reform bills from members of both parties taking sharply different approaches on this question. Let me lay out some of my key questions that I believe we need to ask ourselves today:

How will we maintain discipline in the funding structure for Social Security and Medicare if we allow these programs to tap income tax revenues? If these benefit payments rely on income taxes, will that put a strain on funding for all other government programs should we run a deficit? If we turn to income taxes to fund benefits would this be a permanent change or a temporary change? Should general revenue transfers be allowed in the absence of other reforms to Medicare and Social Security? Will general revenue transfers make reform more or less difficult? These are hard questions, and I am pleased to have these respected experts here to help us answer them.

I'll now recognize Senator Breaux for his opening statement. I would also ask that any other colleagues who wish to make brief opening statements that they hold their statements until after the first panel because Dr. Greenspan on such a tight schedule.

On our first panel is Dr. Alan Greenspan, Chairman the Board of Governors of the Federal Reserve System. He has served as Chairman under Presidents Reagan, Bush, and Clinton. I think all Americans are indebted to Chairman Greenspan for his steady leadership of our economy, and I am most grateful that he is able to be here with us today.