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Congress of the United States
House of Representatives

COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON SOCIAL SECURITY

May 2, 2002

Democrat's Political Ploy on Social Security Exposed

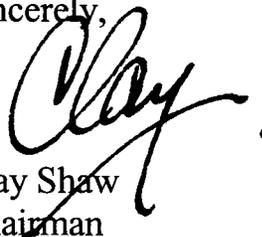
Dear Republican Colleague,

The truth has been told about the Democrat's threat to file a discharge petition on the proposals from the President's Commission on Social Security.

The three bills that allegedly encompass the three recommendations are 2 pages each. There is no substance. There is nothing real to debate. Their cynical political ploy is further exposed today in the enclosed Washington Times article.

Seeing is believing. I've also included for your review copies of H.R. 4022, 4023 and 4024. It's a shame that Democrats spend so much time on partisan politics and so little time trying to save and strengthen Social Security.

Sincerely,



Clay Shaw
Chairman

Enclosures

The Washington Times

Trotting out the big scare

Donald Lambro

THE WASHINGTON TIMES

Published 5/2/2002

If you want to know how House Democratic leaders are plotting to demagogue the Social Security issue in the elections, take a look at the utterly phony reform bills they have introduced.

The bills are sponsored by Democratic Leader Dick Gephardt of Missouri and Reps. Nancy Pelosi of California, the party whip, along with Charles Rangel of New York and Bob Matsui of California, the ranking and third-ranking Democrats on the Ways and Means Committee. **H.R. 4022, 4023 and 4024 are not real bills at all but malicious legislative gimmicks aimed at playing political games with Social Security reform in a contemptuous scheme to frighten the elderly into voting Democratic in November.**

The Democrats' bills do not propose any specific reform of their own to prevent what everyone agrees will eventually happen - Social Security's insolvency unless the system is fixed. Instead, they propose enacting the three options that President Bush's Social Security reform commission recommended at the end of last year.

The bills do not even include any of the details of the options or choose among them. They merely declare that the secretary of the Treasury and the Social Security commissioner "shall prescribe such regulations as are necessary to carry out the provisions" of each model in 180 days.

Each of the commission's proposals would permit workers, only if they choose, to invest some of their payroll taxes in preapproved, blue-chip stock or bond funds, or a combination of the two. The advisory panel, co-chaired by former Democratic Sen. Daniel Patrick Moynihan, concluded that Congress is going to draft its own reform plan anyway, so it wisely chose to offer several ways that Mr. Bush's plan could be implemented.

Mr. Bush did not endorse any of the options, but does support the concept of investment as the only way to cure Social Security's looming problem: not enough workers to finance trillions of dollars in payments to the tens of millions of Baby Boomers who will begin retiring at the end of this decade.

So, why would Mr. Gephardt and his colleagues call for a vote on the options? It isn't because they support them. They hate Mr. Bush's plan. It is not because they want a vehicle to debate their proposal to save Social Security. They do not have a plan of their own.

Mr. Gephardt wants to stage a meaningless vote on these nonbills, which he wants to bring up through a discharge petition, so he can force the Republicans to vote Mr. Bush's plan up or down and use that vote against Republican lawmakers in the elections. Of

course, the Democrats are not going to get the chance to do that because Speaker of the House Denny Hastert, Illinois Republican, is not going to let them play their game.

Still, with the economy growing by 5.8 percent in the first quarter, and with Mr. Bush getting high polling scores on the economy, homeland defense and foreign policy, there are not many other issues that Americans feel that strongly about right now. Demagoguing Social Security is about all the Democrats have left.

Their election strategy is the big lie: Mr. Bush's Social Security reform plan "means you'll have to cut benefits for today's elderly," Mr. Gephardt tells voters in his campaign speeches. It is a refrain you will hear a lot from the Democrats in the coming months. Don't believe it.

First, Mr. Bush's reforms are wholly voluntary. Anyone who wants to stay in the present system can do so. Second, Mr. Bush's plan would not affect any retiree's benefits, or even those approaching retirement.

In truth, the commission's plans would provide all future retirees "with higher benefits than the current system can pay - whether they accept a personal account or not - and most low-wage workers receive benefits higher than the current system even promises," says Andrew Biggs, a former analyst on the commission who helped draft its report.

"It does this without raising payroll taxes or increasing the retirement age, and all individuals aged 55 and older are protected from any changes whatsoever," Mr. Biggs says in a memorandum that is being circulated on Capitol Hill.

Republicans are undeniably nervous about the issue. Mr. Hastert and the White House do not want to take up any reform in Congress this year until the elections are over, preferring to let candidates thrash it out in their campaigns and educate the voters.

But, how to blunt the Democrats' demagoguery, which has worked in the past? The Republican campaign committees are testing mock Democratic television spots and the effectiveness of the GOP's responses. "We'll be ready to shoot down their charges," a Republican leadership official told me.

The Democrats' biggest weakness in the coming Social Security wars is, first, they do not have a credible plan to fix Social Security long-term, and second, they would do nothing to change Social Security's pitiful 1 percent to 2 percent investment return on a lifetime of payroll taxes.

Gephardt and Co. won't say so publicly, but the advisers who are giving them the numbers on which they are basing their attacks openly say the only solution is to raise taxes.

"We have to look at general tax revenues. Congress should appropriate enough money to guarantee benefits," says Hans Riemer, Social Security analyst at the Campaign for America's Future, who is advising House Democrats.

As for the puny retirement benefits that most workers will get, "The rate of return is not a key factor. People are willing to sacrifice," Mr. Riemer told me.

With a mountain of data showing that lower- and middle-income workers, especially minorities, would do far better (from 12 percent to 28 percent better) under Mr. Bush's growth investment plan, that kind of insensitive, let-them-eat-cake attitude could be the Democrats' undoing.

107TH CONGRESS
2^D SESSION

H. R. 4022

To enact into law Reform Model 1 as set forth in the report of the President's Commission to Strengthen Social Security.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2002

Mr. MATSUI (for himself, Mr. GEPHARDT, Ms. PELOSI, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To enact into law Reform Model 1 as set forth in the report of the President's Commission to Strengthen Social Security.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ENACTMENT INTO LAW OF REFORM MODEL 1**
4 **AS SET FORTH IN THE REPORT OF THE**
5 **PRESIDENT'S COMMISSION TO STRENGTHEN**
6 **SOCIAL SECURITY.**

7 The provisions of Reform Model 1 as set forth in the
8 report of the President's Commission to Strengthen Social
9 Security entitled "Strengthening Social Security and Cre-

1 ating Personal Wealth for All Americans”, dated Decem-
2 ber 21, 2001, are hereby enacted into law. The provisions
3 of the Social Security Act, the Internal Revenue Code of
4 1986, and related provisions of law are hereby superseded
5 to the extent necessary to provide for the operation of such
6 Reform Model 1.

7 **SEC. 2. REGULATIONS.**

8 Not later than the effective date set forth in section
9 3, the Commissioner of Social Security and the Secretary
10 of the Treasury shall prescribe such regulations as are
11 necessary to carry out the provisions of section 1.

12 **SEC. 3. EFFECTIVE DATE.**

13 Section 1 shall take effect 180 days after the date
14 of the enactment of this Act.

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107TH CONGRESS
2D SESSION

H. R. 4023

To enact into law Reform Model 2 as set forth in the report of the President's Commission to Strengthen Social Security.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2002

Mr. MATSUI (for himself, Mr. GEPHARDT, Ms. PELOSI, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To enact into law Reform Model 2 as set forth in the report of the President's Commission to Strengthen Social Security.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ENACTMENT INTO LAW OF REFORM MODEL 2**

4 **AS SET FORTH IN THE REPORT OF THE**

5 **PRESIDENT'S COMMISSION TO STRENGTHEN**

6 **SOCIAL SECURITY.**

7 The provisions of Reform Model 2 as set forth in the
8 report of the President's Commission to Strengthen Social
9 Security entitled "Strengthening Social Security and Cre-

1 ating Personal Wealth for All Americans”, dated Decem-
2 ber 21, 2001, are hereby enacted into law. The provisions
3 of the Social Security Act, the Internal Revenue Code of
4 1986, and related provisions of law are hereby superseded
5 to the extent necessary to provide for the operation of such
6 Reform Model 2.

7 **SEC. 2. REGULATIONS.**

8 Not later than the effective date set forth in section
9 3, the Commissioner of Social Security and the Secretary
10 of the Treasury shall prescribe such regulations as are
11 necessary to carry out the provisions of section 1.

12 **SEC. 3. EFFECTIVE DATE.**

13 Section 1 shall take effect 180 days after the date
14 of the enactment of this Act.

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107TH CONGRESS
2D SESSION

H. R. 4024

To enact into law Reform Model 3 as set forth in the report of the President's Commission to Strengthen Social Security.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 2002

Mr. MATSUI (for himself, Mr. GEPHARDT, Ms. PELOSI, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To enact into law Reform Model 3 as set forth in the report of the President's Commission to Strengthen Social Security.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ENACTMENT INTO LAW OF REFORM MODEL 3**

4 **AS SET FORTH IN THE REPORT OF THE**

5 **PRESIDENT'S COMMISSION TO STRENGTHEN**

6 **SOCIAL SECURITY.**

7 The provisions of Reform Model 3 as set forth in the
8 report of the President's Commission to Strengthen Social
9 Security entitled "Strengthening Social Security and Cre-

1 ating Personal Wealth for All Americans”, dated Decem-
2 ber 21, 2001, are hereby enacted into law. The provisions
3 of the Social Security Act, the Internal Revenue Code of
4 1986, and related provisions of law are hereby superseded
5 to the extent necessary to provide for the operation of such
6 Reform Model 3.

7 **SEC. 2. REGULATIONS.**

8 Not later than the effective date set forth in section
9 3, the Commissioner of Social Security and the Secretary
10 of the Treasury shall prescribe such regulations as are
11 necessary to carry out the provisions of section 1.

12 **SEC. 3. EFFECTIVE DATE.**

13 Section 1 shall take effect 180 days after the date
14 of the enactment of this Act.

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