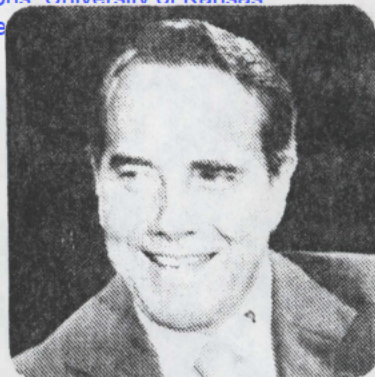


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FINANCE COMMITTEE OPENS HEARING ON MOYNIHAN PLAN:
DOLE SAYS, "DON'T MESS WITH SOCIAL SECURITY"

INTRODUCTION

LET ME BEGIN BY THANKING YOU FOR SCHEDULING THIS HEARING SO QUICKLY. THERE SEEMS TO BE SOME REAL INTEREST HERE: SENATOR MOYNIHAN CERTAINLY GOT OUR ATTENTION BY SHOUTING "SOCIAL SECURITY" IN A CROWDED CONGRESS.

I'VE HAD THE HONOR OF WORKING WITH THE DISTINGUISHED SENATOR FROM NEW YORK ON SOCIAL SECURITY WHEN WE SERVED TOGETHER ON PRESIDENT REAGAN'S BLUE RIBBON SOCIAL SECURITY COMMISSION. IN FACT, ONE OF THE PROUDEST MOMENTS IN MY SENATE CAREER TOOK PLACE IN 1983, WHEN SENATOR MOYNIHAN AND I HELPED GET THE RESCUE OPERATION BACK ON TRACK.

IT TOOK WEEKS AND MONTHS AND PLENTY OF GUTS TO FIX SOCIAL SECURITY. BUT WE DID IT; WE RESCUED THE SYSTEM. ONE IRONY IS, TODAY, SOME PEOPLE ARE ACCUSING US OF "OVER-RESCUING" IT! IT'S TRUE, THOSE OF US WHO SERVED ON THE SOCIAL SECURITY COMMISSION NEVER ANTICIPATED THAT THE TRUST FUND RESERVES WOULD GROW SO LARGE, BUT THE ECONOMY HAS GROWN FASTER THAN WE'D EVER DREAMED POSSIBLE.

OUR INVESTMENT IN THE FUTURE

DESPITE OUR CURRENT EMBARRASSMENT OF RICHES, ONE OF THE BIGGEST PROBLEMS WE FACE IS A LACK OF CONFIDENCE IN THE SYSTEM. WE HAVE TO ASSURE OUR SENIOR CITIZENS THAT THE PROGRAM WILL CONTINUE TO BE THERE FOR THEM, AS WELL AS CONVINCING YOUNG WORKERS THAT SOMETHING WILL BE LEFT WHEN THEY RETIRE. SENATOR MOYNIHAN, HIMSELF, HAS SUGGESTED THAT THE MEMBERS OF THE GREENSPAN COMMISSION ACTUALLY PLANNED A BUILD-UP IN RESERVES TO INCREASE CONFIDENCE IN THE SYSTEM. IN A SPEECH TO THE NATIONAL ACADEMY OF SOCIAL INSURANCE LAST YEAR, SENATOR MOYNIHAN EXPLAINED THE GREENSPAN COMMISSION WANTED TO "BUILD A RESERVE IN THE TRUST FUNDS THAT PEOPLE COULD SEE AND BELIEVE IN". NOW, IT SEEMS THAT THE RESERVES HAVE THEMSELVES BECOME THE ISSUE.

NO ONE DENIES THAT AS LONG AS THE REST OF THE BUDGET IS IN DEFICIT, THE SURPLUSES HELP FINANCE NON-SOCIAL SECURITY SPENDING. ALTHOUGH THIS WAS NOT THE INTENTION OF THE BIPARTISAN SOCIAL SECURITY RESCUE EFFORT, THE ANSWER SHOULD NOT BE SIMPLY TO CUT THE PAYROLL TAX, OR CUT BENEFITS, OR RAISE OTHER TAXES. THOSE ANSWERS BRING WITH THEM SOME SERIOUS QUESTIONS.

PRESENT RESERVES ARE NOT ADEQUATE

FIRST, "WHAT IS A SAFE LEVEL OF SOCIAL SECURITY RESERVES FOR A PAY-AS-YOU-GO PLAN?" ALTHOUGH SENATOR MOYNIHAN HAS ACKNOWLEDGED THE RESERVE IS NOT YET AT A SAFE LEVEL, HE HIMSELF CAN NOT PIN DOWN EXACTLY WHAT A SAFE LEVEL IS. FRANKLY, I DON'T KNOW THE CORRECT ANSWER EITHER.

AS WE LEARNED WHEN WE PLAYED THIS NUMBERS GAME IN 1983, THE ADEQUACY OF THE RESERVES DEPENDS HEAVILY ON THE BEHAVIOR OF THE ECONOMY AS A WHOLE. ALLS WELL INTO THE NEAR TERM UNDER INTERMEDIATE ASSUMPTIONS, BUT UNDER THE SO-CALLED PESSIMISTIC ASSUMPTIONS, OASDI WOULD BE INSOLVENT IN 1998. I NOTE THIS ONLY TO UNDERScore WHAT YOU KNOW BETTER THAN I -- ACTUARIAL CALCULATIONS MAY BE A SCIENCE -- BUT IT'S AN IMPERFECT SCIENCE.

I, FOR ONE, DON'T WANT TO FACE THE PROSPECT OF HAVING TO CUT BENEFITS BECAUSE OF A MISCALCULATION.

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