

# President's Commission To Strengthen Social Security

*Tuesday,  
December 11, 2001*

*Held at the*  
Park Hyatt Washington  
Washington, DC

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M O R N I N G S E S S I O N

(10:16 a.m.)

CO-CHAIRMAN PARSONS: We are going to get started now.

As has been the custom between the Co-Chairs, we have alternated the chairing of these meetings, and today, happily, it is my privilege to turn the gavel over to my Co-Chair, the Honorable Daniel Patrick Moynihan. There you are, sir.

CHAIRMAN MOYNIHAN: And I do thank you, Mr. Chairman. I am going to take the Chair's privilege to suggest that we alternate today. I think our plan is to have Chuck Blahous with Jeff Brown and Kent Smetters at his side, and I do see our actuary sort of hiding in the corner in case we need anything from Mr. Goss. We are going to ask Chuck Blahous to walk us through the port entitled, "Strengthening Social Security and Creating Personal Wealth for All Americans."

Those who have read the text of President -- then Governor Bush, his address to a senior center in California, Kukamongo as I recall, laid out a general statement on Social Security. He spoke to both these matters. The first is necessary in the light of the normal maturing of a 75-year-old program. We have our situation no difficult, if better, than that of Western Europe, nations which began their programs a little earlier and have had some more -- their birth rates and immigration rates are much less than ours.

Similarly, the idea of personal retirement accounts that are property as well as insurance is already in place in

some 20 nations, and President, now President Bush, at that time used some pretty powerful language. He said, "Ownership in our society should not be an exclusive club. Independence should not be a gated community. Everyone should be a part owner in the American dream."

We have tried to combine those two purposes, not at odds, one simply extending the other, in this report and to persuade you all thereof, and the Commissioners all have been hard at work at this in the last few hours, days. By hours I mean into the early hours. Chuck Blahous.

MR. BLAHOUS: Thank you, Mr. Chairman. It's -- can you hear me? Is this mike on?

MR. : Yes, it is.

MR. BLAHOUS: It is my distinct honor and a personal privilege to lay before you a draft final report of the President's Commission to Strengthen Social Security. As before, I have noted that our staff work is undoubtedly imperfect, but I hope it is faithful to the direction and instructions of the Commission.

We received a lot of guidance over the last several days and weeks from individual Commission members as to the contents and drafting of this report. I think it is fair to say that one common theme that has been present throughout that consultative process is that Commissioners one by one have called or written to say tell it like it is, don't pull any punches, be transparent, explain the tradeoffs, explain how much things cost

and what the benefits are, and be as clear as you could possibly be.

We have tried at the staff level to fulfill that charge, and I am sure that we fell short in several respects. These of course reflect these limitations of time and staff ability, that we stand ready to amend to be more consistent with the intentions of the Commission as a whole.

I would like to go through very briefly the organization of the document. Following the Co-Chairs' introduction in which are stated many of the themes that you, Mr. Chairman, just gave voice to, we begin with a first chapter on the general desirability of strengthening Social Security through personal accounts. This chapter contains a number of findings which we believe have received the full agreement of the Commission. I will touch on just a few of these here before proceeding to the next chapter.

One finding of the Commission is that Social Security will be strengthened if it is modernized to include a system of voluntary personal accounts. The Commission has indicated that Social Security should be extended to include inheritable assets, as personal accounts would do. The Commission has indicated that it would be desirable to move to partial advanced funding of the Social Security system, and the Commission has also made a point of indicating that individuals in the Social Security system should be permitted to maximize their return from it by taking advantage of the additional investment income that would come

from personal accounts.

The second chapter has to do with the administration of personal accounts. I will not dwell on this chapter at length, because many of the individual issues that are indicated in this chapter have been discussed at length at each of the prior two Commission meetings. A couple of things that I would point out here --

CHAIRMAN MOYNIHAN: Mr. Blahous.

MR. BLAHOUS: Yes.

CHAIRMAN MOYNIHAN: Would it not be the case that we had from the Treasury Department a very careful analysis of the planning for just such individual accounts that was going forward in the previous Administration?

MR. BLAHOUS: That's absolutely correct.

CHAIRMAN MOYNIHAN: This is something whose time has come. How quickly, we will see, but this is not "de nouveau." This is a logical emergence in our country, as in many others.

MR. BLAHOUS: Yes, Mr. Chairman. The language in this chapter follows up upon that general work --

CHAIRMAN MOYNIHAN: Yes.

MR. BLAHOUS: -- done by the Treasury Department to show that personal accounts can indeed be administered in an efficient and cost effective manner. The Commission has made a number of decisions regarding the regulation and the construction of such personal accounts. In particular, I know the Commission members were concerned that certain protections be provided

through the administrative process, joint and survivor annuities to protect widows, surviving spouses, protections for divorced persons by allowing for division of assets accumulated during the marriage, and so forth. Again, I will not go into extensive detail here, as we have already done so at the previous two meetings.

The third chapter discusses the general importance of fiscal sustainability, and it defines and appraises various measures of fiscal sustainability. I would want to be very sure to point out that Commission members have, I think, some very well-developed opinions and findings about how fiscal sustainability should be measured. There are a number of measures of fiscal sustainability that are referenced in this chapter, and the advantages as well as the shortcomings of many of these measures are highlighted. Just to discuss them in series, the first of these is the importance of eliminating the perpetual cash deficits that the Social Security system would experience under current law, and while there are --

CHAIRMAN MOYNIHAN: Just to be very clear, under current demography.

MR. BLAHOUS: Yes, under --

CHAIRMAN MOYNIHAN: We began with 50 workers per retiree. We are now down to 3.2, Steve?

MR. GOSS: Point four.

CHAIRMAN MOYNIHAN: And we will soon be at 2.2, and that's nothing unusual about that.



MR. BLAHOUS: The Commission as a whole I think has stressed the importance of returning Social Security to a permanently sustainable path and that this is a higher standard and a really higher objective than mere solvency alone. Changes to the way the government can -- keeps its books can affect the finding of solvency or actuarial balance of the Social Security system, and I think the Commissioners have been very diligent and rigorous in noting that there are other equally important measures of whether the system is sustainable. Those include one concept which is occasionally referred to by Commissioners as "do the lines cross again," and when they say that, they mean is the program's income stream sufficient to fund the benefits that are promised from the system in a particular year.

While there will be a period of time under almost any conceivable scenario that there will be cash deficits that have to be made up, I think it is the feeling of the Commission as a whole that the system will not be sustainable for the long haul if that situation is not turned around and corrected on a permanent basis.

Of course, this section also does review the definitions and measures of solvency and actuarial balance, and each of the proposals is evaluated according to those criteria as well. However, this section does note there are limitations on the applicability and utility of each of these terms, and any Social Security reform proposal should be held up against the multiple standards put forward by the Commission in chapter

three.

I would also draw attention to another standard established in chapter three, which is the long-term cost growth of the Social Security system. It is a very simple and straightforward question to ask and a very important one, which is: how much is this system going to cost, how much will it cost future generations to pay for the benefits provided by the Social Security system? So a look at long-term cost growth is a very important part of assuring sustainability, just as solvency and actuarial balance are.

The longest and most detailed of the chapters is chapter four in which we review alternative paths to fiscal sustainability. Let me step back for a second and note that the Commission in its work over the last several months has certainly found that there are multiple pathways to fiscal sustainability within the principles outlined by the President. The instructions we have received as staff is to -- are to outline the tradeoffs associated with various thematic approaches that can be taken to funding the benefits of the Social Security system.

At the beginning of this chapter, we give some attention to the methodology by which each of these proposals is to be evaluated. We of course go through the impact of each reform model on the financial operations of the Social Security system as a whole. We provide benefit projections for each model, both in comparison with the benefits that are provided

today as well as the benefits that the current Social Security system would be able to fund.

We go through a number of measures that may seem more technical but I think are extremely important to Commission members and should be important to policy makers and the public as they look at these reform models. We evaluate what is the total present value of the cash deficits that the Social Security system will face over the next 75 years and beyond, under current law and under these various reform models.

We look at the transition financing requirements of each of the proposals. It is important to note for the Commission members' reference as they review this report that many people mean many different things when they talk about transition financing, and what we have tried to do is outline for the Commission what these various definitions are and to explain how each of the proposals stack up according to these different measures of their transition effects.

We have measured the impact of each proposal on the unified Federal budget as a whole. This is a very important measure, because obviously you could make the Social Security system in theory sound insolvent at the expense of the rest of the Federal government by simply transferring money over in perpetuity from other government accounts. In order to show how these proposals fair with respect to the current projections for the overall behavior of the Federal budget, each proposal is evaluated for its impact on the unified Federal budget as a

whole.

One thing that the Commission members asked us to do and which we have tried to do is to pay tribute to those others who have come forward with substantive proposals for the Commission's consideration. I think a number of Commissioners have contacted staff and expressed their appreciation for the ideas that have been put forward by individuals who have tried to help us in our work and given us proposals for our consideration.

In particular, this section makes reference to some of the plans that have been developed in Congress and thanks the members of Congress who have put forward these plans, who have taken the trouble to get them scored by the Social Security actuary, and I think Commission members had expressed the desire that the work of this report be mindful of the effort that went into these proposals and demand that a similar level of diligence be shown by individuals who have concerns about the proposals in this report or the proposals developed by members of Congress.

Let me wrap up my comments, Mr. Chairman, by simply talking very briefly about the basic elements of the three approaches that you have before you. The first reform model is the simplest and most direct. It simply says what would be the impact of simply setting up an opportunity for an individual to invest some money in a personal account.

As we have done it here, we showed a two-percent personal account, but we stress in this framework that this is a flexible framework. You could finance the account in different

ways. You could make the account a different size. You could make the account progressive. There's a number of different things you can do, but for purposes of illustration we have shown a two-percent account here, and this model confines an examination of the effects to simply the results that would come from establishing a personal account on its own associated with a voluntary offset to benefits in exchange for the benefits of the personal account.

What we have found in this reform model is that you can simultaneously make a modest contribution, an incomplete contribution, to the long-term fiscal sustainability of Social Security, while at the same time give individuals the opportunity to increase their expected benefits from the Social Security system.

I think Commissioners have been very diligent in noting that this reform model is not in and of itself a complete solution to all of Social Security's financing difficulties, and if this reform model were pursued by the Congress, future steps would have to be taken at another date in order to bring the program to long-term fiscal sustainability. But the essence of this reform model is to show that you can simultaneously make a modest step in the direction of fiscal sustainability and improve treatment for beneficiaries at the same time.

The second reform model takes a fundamentally different approach. It basically asks how can we maximize the return on Social Security contributions within the revenues that are

already committed to the Social Security system. Let me step back for a moment, Mr. Chairman, and note that under the current system over the next 75 years, it is possible for benefit growth to not only keep pace with inflation, but slightly exceed it. What this reform model notes is that if you don't establish personal accounts, you could set benefits to grow at that rate of growth. In particular, the Commissioners had in mind various distributional goals and protections against poverty that they thought were important to include in a comprehensively scored Social Security plan. So this proposal targets the benefit growth beyond inflation on individuals who are most in need of it: low-income individuals, widows. These individuals under this proposal would see benefits that would grow substantially faster than inflation and would grow in real terms.

Now in addition to that, this proposal would give individuals the opportunity to invest four percent of their wages in a personal account up to a maximum of \$1,000 annually, a figure that would start at \$1,000 and then be indexed for wages after that. By doing this -- and this is also a progressive mechanism for funding the accounts, you could allow benefits to be paid that are significantly beyond what the current system can pay within the current revenue stream, and in fact for many individuals, especially on the low income side, benefits would well exceed even what the current system promises to pay and could not pay unless there were substantial tax increases.

The third approach, Mr. Chairman, takes something of a

middle ground between the first and second. The third approach says, whereas option one says we are going to leave the current benefit schedules in place and leave it to Congress to find a means of resolving those cash gaps in the future, and the second model says let us allow benefits to grow at the pace that this nation can sustain within the current revenue streams, the third proposal says how do we set as a target the current level of -- the unsustainable level of scheduled benefit growth and make it possible for individuals to achieve that level of benefit growth through their personal accounts.

Now, what should be no secret to this Commission is that that can only be done if new revenues are found, and through this proposal new revenues would be tapped by having the personal account include a one-percent additional contribution from the individual participant, and also additional revenues would be required to restore the program to solvency and actuarial balance. This program identifies the amount of those additional revenues that would be necessary, but this program, assuming those revenues would be devoted to Social Security, would result in a solvent Social Security system and a level of benefits that exceeds that even promised by the current system. Those are the basic three frameworks. I can certainly answer questions about details, but that is the basic organization of the report.

CHAIRMAN MOYNIHAN: Well, exactly, Mr. Blahous, to whom we owe a great debt this Commission, and thank God for you.

Well, look at all three of them. They are still awake.

May I just before turning the gavel over to my distinguished colleague, a note. The comment has appeared in the press that we, this Commission, has somehow departed from its initial instruction by President Bush that we come up with "a" plan. Now, nothing could be further than the case. On Tuesday, October 30, the President met with Mr. Parsons and with me in the Oval Office and said to us that in the light of intervening events, and we knew what he meant, from the time the Commission was established in the spring, he thought the best procedure would be for us to come up with a number of plans that could be debated in the second session of this Congress and have legislation in the Congress that followed. We had never been told otherwise, you might say, but now we were specifically asked to come up with more than one. Two seems to little, three seems just right, and I think you have done it just right.

What we would like to do now is to go down and hear from each of the Commissioners who have, heaven knows, heard enough from us. Mr. Brown and Mr. Smetters, if you could join in any response that was appropriate, I will go down that side, you go down that side, and there you are, sir.

CO-CHAIRMAN PARSONS: Maybe before we have the Commissioners sort of give their valedictories, I know that this document that has now been made public, let me put it in context.

It is a draft. It is the staff's attempt to put words around the various decisions that this Commission has made over the last



several meetings that we have had before the public, and because it is complex and because what we are dealing with is complex, there are a number of Commissioners who just have seen the report in the last several hours recently, because Senator Moynihan was right, staff was up 'til all hours over the weekend pulling this thing together. As we move to make a document which I think reflects the will of the Commission in terms of decisions made, become a document that also reflects the words of the Commission.

I think several of the Commission members wanted to just comment on the substance of the report and give staff final guidance in terms of preparing a final report. So maybe we will start with you, Olivia. I know that you and several others had a few thoughts.

DR. MITCHELL: Thank you very much, Mr. Co-Chairman. I guess I would just like to emphasize a couple of points that Chuck alluded to but go a bit further. That has to do with the unifying elements across all the plans that we produced in our Commission report. I would add, as you just said, that there may be opportunities to do some further wordsmithing, and I expect we will take that opportunity between now and the time we deliver our final report later this month.

But the first thing I think that we should all be very clear about and that I think we want the American people to understand is that the Commission firmly agrees that we must make Social Security more secure. Currently the system faces about a \$22 trillion hole as of 2075. That is not security. We need a

system which can be more reliable, which can pay benefits that we can count on.

We believe as a Commission that personal accounts can be part of this solution, subject to the President's principles.

As all of you know and as have been listed on our Web site, the principles mandated that our plan include a voluntary personal account, that it reduce the \$22 trillion gap, that we move toward fiscal sustainability.

In the process of developing our plans, there's some other common themes. We agreed that personal accounts must increase ownership of wealth. Let's give people an opportunity to diversify their retirement portfolio. Not everybody's going to necessarily want the exact same investment mix. That we need to give workers a claim to wealth, both in the individual case --. For example, if there is a divorce, then both parties in the divorced relationship get a claim to that personal account. In the event of premature death, those people will be able to pass on their personal accounts to the next generation. And, we believe that personal accounts should offer the opportunity to increase national saving.

The Commission also felt very strongly that Social Security now needs some improvement, that benefits are inadequate for lifetime low-wage workers, and we can do something about that and we have the obligation to do that. That we can do more to help widows and widowers who currently under the system suffer a rather dramatic benefit drop after the death of the spouse. And

that ultimately, building wealth through personal accounts can be and must be a vital element of strengthening Social Security.

So those I think we would like to get people to understand, are the unifying elements. Yes, we have three different approaches, but they all emphasize those points. Thank you.

CO-CHAIRMAN PARSONS: Thank you. Were there other comments on the body of the report in terms of tone or language that various Commissioners --? I have got one myself, but let me defer first to my fellow Commission members.

DR. MITCHELL: Bob.

CO-CHAIRMAN PARSONS: Bob Johnson.

MR. JOHNSON: Thank you, Mr. Chairman. I just wanted to echo some of the things that Olivia said. It relates to the personal accounts and sort of -- I'm sort of in the entertainment business, so I'll try to use some sort of entertainment example to describe what we are facing and therefore maybe make the point.

All of you saw the film *Titanic*. And if you imagine, for those of you who didn't see the film *Titanic*, some of you may have lived on the *Titanic*. But anyway, here is the situation. We are all on the *Titanic* as it relates to Social Security, and clearly this is -- and we will have people tell us this is the safest ship afloat, tremendous leadership at the helm, no danger to us, but out there lurking is an iceberg, and let me tell you what that iceberg is. That iceberg is the fact that based on the

fact that between now and the next 50 years, the number of workers available to support Social Security benefits will drop from 3.4:1 to 2:1. The resulting cost of maintaining the current benefits in Social Security will increase 69 percent. In other words, we are heading for a disaster.

Now, whether it is 20 years out, 30 years out, whatever, that iceberg is out there, and the ship, if it strikes the iceberg, will invariably sink, and everyone will lose the benefits, the retirement security that we all expect.

Now, the interesting thing about this, the ship does not belong to the government. It doesn't belong to the cruise liner company. This ship belongs to you. It is your money, and it is your retirement future. You have every right to demand that the captain of this ship do everything possible to safeguard your retirement benefits from that lurking iceberg beneath the surface that nobody wants to admit is there. But we all know it's out there. So we have, and the Commission has come up with, following the President's directive, a solution that basically takes your money and modernizes the system, modernizes, if you will, this ship called the Titanic, and allows it to avoid this impending disaster. That modernization is simply called "personal retirement accounts," where we take your money, a portion of your Social Security contributions, and put it into private investment accounts in the public market to allow you to generate a greater return on your dollars than you currently do now.

It is simply that simple. We take what you are making now and increase the value of it, and through the magic of compounding interest, you do this over your lifetime. When you retire, you are far better off than you would be under the current system. I find it extremely difficult how anyone sitting in this room or sitting in this country could argue with that.

The retirement accounts will increase retirement security, and that's what Social Security was all about from its inception, was ways to increase your retirement security and to provide you benefits if you get ill and to provide your family benefits if you get ill.

Now, part of Social Security, the current system, has done that. So keep in mind, we are not going to reduce that part of Social Security that has worked so well these number of years.

What we are going to do is add on, and I don't know if you have it in any of your publications, but again sort of drawing on this so-called media advertising world, some of you remember the Traveler's umbrella. If you had Traveler's insurance, you walked under this red umbrella that kept you out of the rain. Well, this one over here, this little small umbrella is the current Social Security system. It will keep you out of the rain just for so long and back to this period of time when you are going to hit this wall. All we have done here with private retirement accounts is made the umbrella bigger. We have simply provided you with more protection with your own dollars, and we have done it in such a way that you control the investment.

We clearly understand that no one wants the Federal government investing your money in the market. We don't want the government to intrude in the market in any way that would be political, intrude in the market in any way that would dislocate the market, but more importantly, the fundamental fact is it is your money and you should have the right within certain prudent guidelines that we think we have come up with and that if the governing board that is created out of this wants to expand they can do so, to allow you to invest your market where you will increase your return from the current, I think small, measly, two percent to something significantly greater.

Now, equally important to everyone participating in this, some of us in this society are not as well off in terms of our ability to accumulate wealth and accumulate assets. Private accounts go directly to the problems that many Americans face, particularly minority Americans, women, who need a greater retirement security umbrella or a blanket that they don't have now. There are various reasons and we all know why, but the personal retirement account will provide this group with a tremendous improvement in their retirement. This retirement can be passed on to your family members. Everyone here would love to have an estate that they could leave to their children or their grandchildren, so that they can continue to live a life that you would hope they would enjoy. This is another important component of private retirement accounts that's not currently embedded in our Social Security system. Again, taking your money and giving

you exactly what you would get when you invest your money outside of this Social Security system.

It also has the effect of leading to an increase in national savings. This country lags far behind many other countries in national savings. We save more money, more money to invest, more investments create more economic growth for the nation, which benefits everybody. Again, these are all principles that no one can argue against.

So when we look at the private retirement accounts, what -- can anybody point to what would be the down side? Well, the down side I guess somebody could argue, you could look at the stock market and it could go down as it is now or it may not perform as we expect. That's possible. I would never tell you what the stock market is going to do, but what I will tell you, that over the past 200 years of the stock market, the market has never lost money over any 20-year period. Never lost money over any 20-year period. Many of you already have money in the market. What we are talking about are those individuals who don't have money in the market, putting their money in the market, increasing the financial sustainability of Social Security so we are all protected, everyone is protected, and increasing the individual wealth, retirement security and inheritance of each and every American.

I would find it, as I said, extremely difficult to understand why anyone would argue against you enhancing what you already have that is in danger of being riddled by the changes in

the demography and the rising cost of benefits, to improve that by adding a personal retirement account controlled by you for your own financial security.

So I would urge you when you talk to members of Congress who would say we are against private accounts, you have to ask them, why would you prevent me from taking my own money and maximizing my own financial security while at the same time enhancing the retirement security of each and every American in this country currently and those in the future? Thank you.

CO-CHAIRMAN PARSONS: All right. We seem to have -- before we go into final thoughts on the direction and scope of the report, are there any thoughts regarding the language? And then we can sum up. Gwen.

MS. KING: Just one small point, and that has to do with the section on Supplemental Security Income. While --

CHAIRMAN MOYNIHAN: Gwen, you want to give us a page?

MS. KING: Yes, I will give you a page. It is page 138 and 139. It is a very brief section, but it is a very important one. Supplemental Security Income is a program that really provides benefits to low-income people, people who may not have participated in the work force long enough to gain benefits under Social Security. What we are saying here in this page and a half is that this program also needs to be looked at, especially in light of some of the changes that we are making.

I would only ask that since we did not as a Commission have an opportunity to go into this plan, I would ask that we



delete most of the very last paragraph which appears to make a recommendation for how to approach strengthening Supplemental Security Income. That program is so important it really does need an independent look and should not be treated in an offhand manner here in this report. So I would simply suggest that we truncate that final paragraph and simply point to the fact that something does need to be -- this program really does need to have a very close look to see if it should be updated.

CHAIRMAN MOYNIHAN: Can you read us the offending material?

MS. KING: I can, except I have to read it from Estelle's book since I ripped it out of my page and turned it in. Yes. On page 139, I would suggest that we simply delete from "for example, the income and resource test," et cetera. We haven't really talked about that. We haven't discussed it. I just -- strike the rest of that. I don't want to give an example. I think examples should not be frivolous, especially where people who really need this program are concerned.

CHAIRMAN MOYNIHAN: Mr. Chairman, I think that is entirely reasonable.

MS. KING: Thank you.

CO-CHAIRMAN PARSONS: Are there other comments on the --

MR. FRENZEL: Yes. Mr. Chairman, it seems to me the last sentence might be usable.

MS. KING: Yes. I must say, Jeff Brown suggested that

you might want to leave the last sentence in, but I was being arbitrary. It is okay if you would like to keep it in.

MR. FRENZEL: That ---.

CO-CHAIRMAN PARSONS: We will take that as a friendly amendment from --. See how friendly this Commission is? Are there other specifics? And then I have got a question for you, Olivia, because you spoke to the things, the unified approaches taken in these plans, and I wondered if you had a thought about how we could construct something that could put -- could bring it all together in our -- maybe to add to our executive summary, because I think the points you were making were well, but you have to kind of read through the whole thing to get it, and if there was one place where it could just pop out, that would be useful. But we have some other Commissioners who have some thoughts. John Cogan.

DR. COGAN: Yes, I did. I wanted to --

MS. : Use the mike.

DR. COGAN: Excuse me -- first congratulate the staff.

I think they did a great job. I think there's a few sections of the report that certainly could be a lot clearer, and we have, my understanding is, perhaps a week and a half to make any significant changes and the like in the report. Chuck, you made a very good point about benefit levels. In the report, in order to find what is happening to benefit levels for individuals, you have got to dig and hunt, and I think most Americans are going to be interested in the bottom line: what do personal accounts mean

for me in terms of retirement benefits? And so you need I think in the executive summary to have a very clear presentation of how benefits are going to be altered by each of the reform options.

We are going to face a lot of criticism I am sure for cutting benefits, and in that regard, let me offer a couple of observations. First, none of the changes that we have proposed in any of the plans looked at anyone who is currently retired or anyone who is in fact over age 55 today. The proposals that we are making are proposals for future retirees, not for today's retirees. Yes, it is true that two of the three plans propose a slowing in the growth of benefits for future retirees. But this doesn't mean that benefits are really being cut, because the comparison that is often made is to a level called "promised benefits." In order for the system to pay those promised benefits, taxes would have to be raised by about 50 percent. The bottom line of the proposals that slow the growth in benefits is, as you said, Chuck, that each of these proposals would provide benefits that in purchasing power terms are higher than the benefits that are provided to today's retirees. So each future generation of retirees under model two and model three will receive benefits that in real terms are higher than those received by current retirees.

The power of personal accounts is also such that for people that chose personal accounts for both options, number two and number three, they will be able to get retirement benefits from the combined modernized system that are about the same or

exceed the benefits that the current system promises but requires a 50-percent hike in taxes to deliver.

Those kinds of comparisons and those kinds of statements are the kind that are needed in the executive summary of this report. People need to know how their benefits are being affected, and so we should make it very, very clear and not require people to go and dig through the numbers.

CO-CHAIRMAN PARSONS: Mr. Chairman, as you can see, I have been wholly unsuccessfully in getting people to restrain themselves --

CHAIRMAN MOYNIHAN: Well, we --

CO-CHAIRMAN PARSONS: -- from delivering the ultimate parish, and the horses want to run.

CHAIRMAN MOYNIHAN: -- they can't help it.

CO-CHAIRMAN PARSONS: I know, so maybe we better --

CHAIRMAN MOYNIHAN: We withdraw the requirement that you be commenting on the text as such, but if you began that way and continue, then we cannot complain.

CO-CHAIRMAN PARSONS: Let me just make --

MR. PARSKY: I interpreted the other comments as textual.

CO-CHAIRMAN PARSONS: Okay, let me make one comment as to text, because, again, this was a work product that came together and you can see the staff deserves everybody's commendation, because they pulled together an awful lot on a very complex subject.

CHAIRMAN MOYNIHAN: And so you won't mind my saying that it was the likes of Olivia and Pozen there who really worked, worked, worked -- and Cogan.

CO-CHAIRMAN PARSONS: I am trying to say something nice about the staff, though I know the Commissioners had to carry them.

(Laughter)

CO-CHAIRMAN PARSONS: But they deserve a little credit. Let me take you to the introduction of the Co-Chairs, however, which obviously the Senator and I had a fair amount to do with, but it has been brought to our attention that it is potentially structured subject to some small misinterpretation. In fact, someone suggested that it even could be interpreted to offer up yet a fourth plan, and that was certainly not our intention.

CHAIRMAN MOYNIHAN: No.

CO-CHAIRMAN PARSONS: Rather, what we attempted to do in our report was give a little historical context to the need -- not only the need for reform, but the fact that this whole system was structured in a way, and the original creators of the system understood it, as time passed and circumstances changed, the system would need to change with those times and circumstances. We toward the end of our introduction point to a specific example of use of personal accounts, the real purpose of which is simply to illustrate the power that personal accounts can have, not only in terms of helping undergird, supplement, augment the Social Security system, but creating wealth for Americans. And yet, I

suppose some of the language, if looked at in the wrong light, could suggest that we were offering that as a, quote, "plan," which we were not. So I am going to suggest to Chuck, and I have talked to the Senator about this, but if you would turn to page five of your -- of the document, the beginning of the last sentence on that page where it says "We, the Co-Chairs," if you would strike that sentence and substitute the following sentence: "To illustrate the power of such accounts, however, let us offer the following example, which is further described in the body of the report." I think that then puts that example in its proper context and proper light. With that, Mr. Chairman, I now turn the gavel back over to you in the hopes that you do a better job than I have of letting the horses run.

CHAIRMAN MOYNIHAN: Well, I think we are getting on, and I see -- is that Sam?

MR. BEARD: Mario.

CO-CHAIRMAN PARSONS: Down there, yes.

CHAIRMAN MOYNIHAN: Sir.

MR. BEARD: Did you already say ---? I'll do anything. Mr. Chairman, I will do anything you want me to do. I thought you were going to start ---

(Laughter, simultaneous conversation)

CHAIRMAN MOYNIHAN: Mario, did you first -- did we see your hand up?

MR. RODRIGUEZ: No, I didn't have my hand up, but I'll be --- start.

CHAIRMAN MOYNIHAN: Mario. Mario, you are first.

MR. RODRIGUEZ: First of all, I would like to say it has been an enjoyable, enjoyable ride working with these great distinguished fellow Commissioners that I have had the pleasure to work with, and staff, you have done a tremendous job. Because what we have tried to do is really, really take a look at this very, very complex issue of Social Security, and we are out there to help, and I want to emphasize help the individuals that really need to be helped. Those are those 67 percent of individuals that if did not have Social Security would be living in poverty. That is something that we are very keen of.

Also, what I want to make clear is that this is a voluntary program, and it is a small portion of what the individual puts into Social Security. We are not trying to destroy it. We are not trying to say everything that you have is going to be put into a personal retirement account and if you lose it, you have lost it. That is not what we are trying to do. What we are trying to do is save this and strengthen it for the future of this country and for individuals that really, really need this.

There is one individual I would like to really say thank you to, and that is Linda Blount, our secretary who has just been tremendous in keeping us all in line. I don't think she is in here, but I just want to thank her.

CHAIRMAN MOYNIHAN: Oh, she's in here, you may be sure. She's watching us from somewhere.

MR. RODRIGUEZ: But I just want to in close say that I have enjoyed this. I commend the President for putting this Commission together. It was a bold step in the right direction, and we are here to do -- Linda.

CHAIRMAN MOYNIHAN: She just came in.

(Applause)

MR. RODRIGUEZ: Thank you.

MR. BEARD: I just want to make three quick points. For those of us who are speed readers and don't want to read 150 pages, I just happen to love the title, "Strengthen Social Security" and then "Create Personal Wealth for All Americans." It is a wonderful title. It gets so to the heart of the report.

When you get to one page in there, one of the major ideas of what we're saying is to put wealth on the table for all Americans. Four percent of wage until you reach \$1,000 a year will be set aside into an account which people will own. Right now about a third of Americans have financial assets, and about two-thirds don't. What this says is, roughly speaking, for most Americans, let's let most Americans set aside \$1,000 a year into an account which they own. You start at age 20 and you do that through age 65 when figuratively you would retire, you can accumulate \$150,000 in today's money and \$80 or \$100,000 in future dollars. It is a very significant breakthrough.

Second, on the administrative section when we look at this, the Federal Thrift Savings Plan was an important model for us. It is doable. You can open up 140 million accounts, and the



administration costs can be low. Our whole design is low administrative cost, and at the same time when you are investing it is not risk-free but is designed for minimum risk. Fundamentally, what we are saying is let's allow all Americans in large diversified portfolios, many of which might be index funds, to really own a share of the future growth of America. So the idea of risk, low cost, minimum risk, opening up wealth for all Americans is very powerful.

The last thing is, unanimously as a Commission we have come out against privatization; privatization meaning, I am going to take my money and do what I want with it and walk away from the government and the government has no future responsibility. What the Commission has unanimously said is this is a national and communal umbrella. Disability insurance is important and remains. Survivors' benefits is important and remains. And in a very important way, we have raised the floor of benefits for low-income.

CHAIRMAN MOYNIHAN: I wonder if I might just take the opportunity to expand on what Sam has said. He has given so much of his life to this subject. Particularly in the climate of -- in the context of Bob's remarks earlier, there are some demographics that we live with right now about minorities in our country. We think of them as African Americans, as Latinos, as you like. With respect to African Americans, for Black men age 20, only some 65 percent can be expected to survive to age 65, at which point they will begin to be eligible for some Social

Security, which suggests that a third of such people will die having paid Social Security to some extent or another and have nothing whatever to show for it, unless there is a personal retirement account which gives them a measure of wealth.

The minorities, and I mean anybody in that low-income level, but the people who die in the present system, it's old age insurance. There is no provision of wealth for it, and it has consequences. The consequences are I don't want to say hugely skewed, but a significant fact of our society is that the American economy, half the people have wealth and the other half none. We have the numbers here. On page 24 you will see a table on African Americans that is hugely persuasive. Financial assets at age 50, half of African Americans have no financial assets of any kind. That is what we are attending to, and it's about time we did. I think I will turn the gavel over to you, sir.

CHAIRMAN MOYNIHAN: Thank you, Senator. We should just continue to move down the line. Ms. Gwendolyn King.

MS. KING: Thank you.

CO-CHAIRMAN PARSONS: Commissioner.

MS. KING: Thank you very much, Mr. Co-Chairman. I have certainly enjoyed getting to know and work with all of you, not only with the staff but with my fellow Commissioners. This has indeed been an enjoyable experience. I thought I was done with Social Security back in 1992, but good pennies just keep coming back.

About a month ago I mentioned that I had the

opportunity to meet a woman named Jeannie down in Wilmington, Delaware who was retired and asked me if we would make sure we strengthen Social Security for her daughter, because she didn't want her daughter to have to work after she retired. I feel very good today about being able to say to Jeannie, we've done it. We have set in motion what I hope will be a very good and honest debate about an approach that will indeed give just that additional amount of retirement income to Jeannie's daughter and to all of you who are not either currently retired or nearing retirement, by use of the personal retirement accounts.

We have tried very hard to speak clearly in this report, because it is so important that we demystify Social Security, that everyone who has an interest in this program understands it. I think that is what most of us will continue to do as we go through the report over the next 10 days, to try to simplify the language, to be very clear about what it is we intend and what it is we are saying, to get rid of all of the confusing jargon, and to make sure that people who read this report will know and understand what it is all about.

Similarly, personal retirement accounts may be a new animal for a lot of people, people who do not currently have 401K accounts, and it will be very, very important for us I think to make sure that the people who are tasked with providing financial information continue along the path of being clear and simple and getting the word out, so that accounts aren't frittered away. People who have the opportunity to make decisions about funds

into which their monies will go will really know what it is they are doing.

We have one section in the report that speaks to who will provide financial information. I hope we can strengthen that to make sure that we are very clear about the kind of information that is available, how widely it is available, that we are using clear English and even other languages for minority populations in this country who will understand these benefits better.

I do want to say that I think it is important for people to note that the three models we put forward are not the only three possibilities. There may well be, and I am sure there are, other approaches that could use personal retirement accounts, in fact use the same set of standards against which this Commission put forward these three models. I think it is fair to say that for those who do have other plans who put them forward -- many of the members of Congress have come up with approaches, that we applaud, because they actually laid out their approach and made it open to public scrutiny, so that Steve Goss and all those who could score our models could also score theirs. We are actually looking at apples to apples as we go forward.

I would hope that those who have other approaches would similarly make their plans open so that we could line them up against the criteria which we have used and score them as well, so that we will know just what kind of cost impact those plans will have. Someone called it "if you don't want to pay, then you

can't play." You sort of own up to these approaches. It is the best way, because what we are trying to do is strengthen Social Security, not put it on a path where we are going to have to worry about this again.

So I must say, it is going to be important for all of you who do have good ideas -- and I know we had some 30 people come before this Commission to give us their views on personal retirement accounts and what we were here tasked to do. We even have a good friend who didn't believe there was a problem who looked at the optimistic projections, and I think that is commendable, but I think it is important for us to be clear. If you really have a proposal, then for goodness' sake, make sure that we are scoring it, that we know what the cost is going to be, because the object here is to strengthen the program. It is not enough just to criticize what we have done. There is plenty of that to go around. But someone once told me that if your friends aren't happy and your enemies aren't happy with the product, maybe you have done something right. So I think we have probably just done it right.

I think putting forward the three different models is a very good approach. Let the debate begin. Let's take the time to debate this issue and make sure that before we move forward everyone understands exactly what it is we are doing. Thank you so much, both my Co-Chairs. It has been a pleasure working with you and with all the members of this Commission.

CO-CHAIRMAN PARSONS: Estelle.

DR. JAMES: Well, first of all I would like to commend the President for taking on this very complex and controversial and contentious issue of Social Security reform. I think this took a certain amount of political courage. I would also like to thank the Co-Chairs for providing very good spirited leadership, and especially the staff for their 12-hour days and their 7-day work weeks and for what I regard as a really superhuman effort in producing this report in a time frame that was really too short.

Since some observers will be unhappy that the Commission presented three recommendations instead of one, I would like to emphasize the points of agreement among them, the commonalities among the plans, and then make a comment about some of the differences.

So let me just briefly list the commonalities. We all agree that fiscal sustainability is an essential element of Social Security reform. As Olivia said, without sustainability you have no security. Two of the three plans present comprehensive frameworks for achieving sustainability.

We all agree that personal retirement accounts can make it easier rather than harder to achieve sustainability and that workers will receive higher benefits as a result. We show that these accounts can be set up in a way that incurs low administrative costs, as Sam mentioned, and that was a very important goal that we had in mind.

We all believe that it is important to retain and in

fact to increase the progressivity of the current system, and two of the three plans accomplish this. So I think those are very important commonalities that we should bear in mind.

Now, the two plans that attempt to make the plans sustainable and more progressive also illustrate the tradeoffs that we as a nation will have to come to grips with. The Social Security system we all know is financially unbalanced, and to make sure that it is there for our children and our grandchildren, we have to achieve balance.

Now, to achieve balance we can accomplish this either by slowing down the growth of benefits or by increasing revenues or by some combination of the two. I think we have been making that point over and over again, and our models try to illustrate those two approaches. Model two relies exclusively on slowing down benefit growth, while model three moderates this with a partial reliance on revenue increases. Therefore, model two doesn't quite achieve scheduled benefits, but it comes close when personal accounts are included. In contrast, model three reaches or exceeds currently scheduled benefits and replacement rates, but of course this costs more.

Now, each method involves some pain, but different kinds of pain, and that is what we are going to have to choose between. We would love to avoid this issue. We would love to avoid either type of pain, but eventually we are going to have to face it. Our computer simulations of these models show that regardless of which approach we take, establishing personal

accounts can reduce the pain and improve the terms of trade. That is, you can either achieve higher benefits or achieve the same benefits but with lower account -- with lower costs, if you include personal accounts. I think that is one of our most important messages.

Now, some people think it is a weakness of the report that we didn't come in with one single recommendation, but I actually think it is a strength. Ultimately, the decision about how much to slow down benefit growth and how much to increase revenues has to be made, not by us as a technical Commission, but by the President working with Congress and responding to the preferences of the American people. As individuals, we each have to decide what our own wage -- our own target wage replacement rate in retirement should be, but as a society, we have to decide how much of this should come from Social Security and how much from people's additions in the form of their own private savings and pensions. Social Security requires mandatory payments which we generally don't like, but it also sets a floor which we can be sure that everyone will have regardless of whether or not they save on their own. So we have to decide how that floor should be, how high that floor should be, and how much we are willing to pay for it.

Now, each of the three options in the report provides a different answer to that question, and I think it is appropriate that we present different answers, because as I said, ultimately the answer depends on value judgement. It doesn't depend on



technical expertise. The choice shouldn't be made by us as a Commission, but by the public at large through our representative government. Our most useful function as a Commission should be to illuminate the tradeoffs and how to improve the tradeoffs. What I think our report will show is that individual accounts improve the tradeoffs. So regardless of what your choice is, we will do better by including personal savings accounts. I hope that our report kicks off a debate on these issues during the coming year, so eventually we can reach a consensus and implement reform.

CO-CHAIRMAN PARSONS: Reverend Doctor Parsky.

MR. PARSKY: Thank you. I also want to pay special thanks to the staff, to the leadership offered by our Co-Chairmen, and to the cordiality that this Commission has operated under. I have just a few general comments, and might slightly take issue with my fellow Commission to the left in terms of the fact that pain is really needed here. I wouldn't quite characterize that way, but if I could just proceed a little.

First, I think it is very important to remind everyone of the situation with respect to the current system. We took a lot of criticism for trying to do that with our interim report, but I think it is extremely important that people understand a few basic things.

One, the program is financially unsustainable in its current form. I think everyone at least on this Commission agrees with that, and I would hope that the media and the public

would gain some understanding of that. Two, to support tomorrow's retirees we must save and invest more. Three, the existing Social Security program does not save or invest in the future. Therefore, one basic conclusion out of that is that doing nothing is not a real option. Something must happen to preserve this important system.

Now, if you step back and you look at the report, in relatively simplistic terms there are a few things or a few desires that the report I think reflects. I think the report reflects a desire to improve Social Security for younger Americans. Under our existing system, Social Security provides basically a bad deal for today's young workers.

Second, the report reflects a desire to improve Social Security for vulnerable Americans, and each of the three options attempt in one form or another to recognize that, with option one not being quite as clear, but the power of personal accounts for the most vulnerable I think come out even under option one.

Third, the report reflects a desire to improve Social Security for women.

Fourth, the report reflects I think a desire to allow Americans, all Americans, to become a nation of owners and savers. It just isn't appropriate for a government employee or a member of Congress to have the ability to own a stake in his or her own retirement and other Americans none. So I think all of these options reflect a desire to change that. Common to all of them is a belief that the concept of personal accounts moves us

toward achieving all of those basic desires, --- nuances of policy one way or the other.

I think as we look at the product, it is very -- it is also very important not to engage in scare tactics. We saw in connection with the release of our interim report that the Commission was roundly criticized for basically laying out the facts. Now I can imagine that we will be even more severely criticized for offering some alternatives on how to deal with the facts, but a few things we shouldn't allow to stand.

We shouldn't allow the report and the efforts of this Commission to be characterized as privatizing Social Security. We are not doing that in any of these alternatives. Second, we should not allow those that might criticize this report as scaring people about the risks involved in the market place. I think each of the approaches taken in crafting these personal accounts are carefully thought through, reflect a desire to offer people a voluntary way to participate in the market place, and it is both inappropriate and unfair to look at the vagaries of one day or one month or even one year in the public equity markets in an effort to scare people away from participating in a personal account program. I think Bob Johnson mentioned the historical impact looking back over the public equity markets. If you look at the appropriate mix of fixed income and public equities, it is even safer. It is even safer in terms. And all of the approaches provide a worker the opportunity to earn more than the approximately two percent that is being earned now. All of the

alternatives.

So as we kind of step back, I think it is important to understand the situation we are in, the importance of doing something about the situation, and that -- I come back to my final point, I don't think any of these approaches involve pain.

I think all of them involve a belief that we need to invest in improving the system. The transfer of revenues that may be necessary for one that may be greater than the other are an investment in the future. There should be no higher priority. This is not pain; this is insuring people that they have a stake in their own retirement. Thank you.

CO-CHAIRMAN PARSONS: (gavel pounding) ---

DR. MITCHELL: Mr. Chairman, if I may, I would like to skip my turn and come back when Mr. Penny does his presentation, because I think our comments dovetail well together.

CO-CHAIRMAN PARSONS: Fine.

CHAIRMAN MOYNIHAN: The artist in residence.

MR. FRENZEL: Thank you, Mr. Chairman and other Mr. Chairman. It has been an enormous pleasure for me to serve on this fine Commission. Like everyone else, I revere the staff.

I love my fellow Commissioners, and I respect and follow in all respects the wonderful Co-Chairmen. As a matter of fact, it is very difficult for me to learn how to work with these highly intelligent people. Remember, I was a Congressman.

(Laughter)

MR. FRENZEL: I do want to say in addition to

complimenting the "grammatus personae," that my judgement, like that of the other members, is that the product that has been produced here is quite remarkable; remarkable for the way that it was done and remarkable for the way that it is going to be voted out. Barring some sort of unforeseen emergency, you are likely to see a unanimous vote on a Social Security report which is pretty unusual, and I will let the historian comment on that later.

Without saying too much about it, I wouldn't want anyone to have the idea that we have labored here in perfect harmony. There has been a very vigorous exchange of views, sometimes two to two or one on one or three on two, by telephone, in the cloak room, wherever. If each of us were given the task of writing this report, each of us would write it slightly differently. We understand the need for consensus and unanimity, and we worked hard to achieve it, lead by the great efforts of our staff.

We believe this will stimulate debate. We have presented three options. I was one of those who thought even more options would be wonderful. We have given three basic choices, the first of which has been called the free lunch option, the second of which you might call the full price blue plate, and the third is, I guess you would call that the subsidized lunch. Each represents a different cut at the same problem and will lead I think careful readers of our report to understand that there is an infinite range of possibilities out

there.

What it takes is a group like ours to start the ball rolling, a brave President to make a recommendation, perhaps not this year, perhaps not next year, and following his recommendation, even braver members of Congress to step up to solve the Social Security problem. So we understand we are not writing the law and we are not putting iron in anybody's fire; we are just getting the program started bit by bit.

We realize that we have created a small -- more than a cottage industry of critics, who will lunch off of us and our reports and have a lot of fun criticizing. But whatever, I think all 16 members of the Commission believe that they have faithfully met the challenge given to us by the President, and that in so doing, they have been able to do so largely because of the extraordinary capabilities of our staff. Thank you, Mr. Chairman.

CHAIRMAN MOYNIHAN: Thank you, Bill.

CO-CHAIRMAN PARSONS: We start at the other end. We are going to work -- Bob, do you have a second sermon for us?

(Background conversation)

MR. JOHNSON: No. But I do have something I want to say to sort of act this up. I guess when the founding fathers and those who sort of created this great country of opportunity call the United States came about, they had as true goals, among goals, was to provide for the common defense and to promote the general welfare. We have had a saying in this country that when

it comes to providing for the common defense that politics stops at the water's edge, and we are seeing that today in the fight against international terrorism. I believe that promoting the general welfare of all Americans in trying to reform the nation's retirement system rises to a level of where politics should stop at the water's edge.

Now, I have been around Washington, D.C. long enough to know it's not going to happen, but it is certainly a consummation to be wished. So I would urge all of us as we go forward with this to try to approach this as something where we can disagree on how to achieve the goal, but we should never disagree that the goal must be achieved. That's all I got to say.

MR. : Here, here.

CO-CHAIRMAN PARSONS: Tom. Follow that.

DR. SAVING: Nice statement. it's hard to follow that.

It is hard to follow Bob anytime. Is entertainment, but I got a chance to say a few things. Mario at the very beginning of this thing suggested this has been a great ride, and I would like to say and I am sure the fellow Commissioners would agree that I'm not sure that a ride is the way to describe it. It seems to me that we and the staff especially have been pulling the wagon rather than riding in it, but it's been a great time to be pulling the wagon.

I think fundamentally I would like to say a few words just about private accounts and perhaps something about pain has been brought up before. One, Congress cannot write a contract,

and I think that is the real issue here. The current Social Security system, as Bob Johnson pointed out in his original statement, this is not an enforceable contract between Congress and the people, since Congress can't write a contract. The only way Congress can make a commitment to the future is to provide individual ownership of retirement accounts. There is no other way. There is nothing they can do that commits any future Congress to anything. Can't be done. Won't be done. And individual accounts essentially take the only key to the safe containing your money away from your Congressmen and gives it to you. I think the key to your accounts is much better in your hands than in anyone else's, especially someone in Washington.

Lastly, going from -- in the way we have done this is we have costed these things out, every one of these plans, and the plans all show uniformly that private accounts are not painful, going back to Gerry Parsky's comments. The current system has a huge amount of pain in it, and private accounts are a way to reduce that pain. Taking away from Bob Johnson's entertainment monopoly here and I think a requirement for all our critics should be, taking something from Jerry McGuire, show me the money. And if they can't show us the money, they shouldn't be able to criticize us in any way. Thank you.

CO-CHAIRMAN PARSONS: Fidel.

MR. VARGAS: Co-Chairmen and Commissioners, it has been an honor and a pleasure to serve with you. This has been a much different experience than the experience I had on the last



advisory council, although they were -- it was an interesting one. I think one of the things that distinguishes that I think is where we are today, which is at a place where we recognize that to complete the work that we have been charged with, that the product that we are producing is in fact addressing that issue.

I want to say also that this has been for me a great experience to experience bipartisanship firsthand. I think it has been forgotten by many people who say this Committee has been rigged and this Committee --

CO-CHAIRMAN PARSONS: Ow.

MR. VARGAS: -- has been set up, none of that could be further from the truth. We have eight Democrats and eight Republicans who care deeply about this issue who have been dedicated, who have persevered, who have showed tremendous integrity and intellect in dealing with this very important issue. And more importantly, more than Democrat and Republican, 16 Americans who took their charge from a courageous President.

As a Democrat, I really do want to commend the President for taking this on, because frankly, when he took this issue on in the campaign, I agreed with him on this issue. There are not too many that I agreed with, but this one I did. For him to continue to push forward on this issue, even under the current circumstances and not knowing where this is going to end up, to me is something that I admire very much, and I am very proud to have him as our President.

As Gerry and Bob were talking about earlier in terms of the scare tactics that are going to be used and have been used, I was reminded of a recent television advertising campaign. I don't know if you have seen it. On one of them it said Jimmy Johnson, the former coach of the Cowboys, and Troy Aikman. Another one it's a doctor and a female patient, and the doctor ends up giving the woman advice about her health and also what kind of stocks to buy. Another one, a mother gives the son -- she is telling him all this great food she is going to give him and advises him on how to balance his portfolio. It really struck me, because we have been hearing how dangerous the market is, and it just struck me. The question I want to ask anyone who says the market is dangerous, going forward, Congressmen, should Americans continue investing in public markets? It's a pretty simple question.

I think the answer most economists would come up with would be, of course we should. That's what has built this country. The idea that for some -- for whatever reason that it is a dangerous idea or a dangerous policy to have those Americans who would benefit the most from it and have not yet had the opportunity to do that, keeping them from doing that to me just -- it doesn't make any sense. So again, the question that I would ask the media to ask, is to ask them should we continue to invest in public markets. I would want to hear from any Congressman that says we shouldn't, because then I could go back to the economists that I know and my business school teachers and

ask them if somebody knows something that they didn't know, because frankly, to me that just doesn't make any sense.

In terms of what we have offered as it pertains to how it benefits or how it impacts what one might call the least among us, low-wage workers and minorities, the plans that have been offered up today, sustainability and administrative issues, all that aside, because I think that those are important but more fundamental to me is the progressivity that has been built into these proposals. Because frankly, the people who will -- everybody in my opinion gets a great -- gets a good deal in what we proposed, but the folks that get the greatest deal, if you really study these proposals and really look at them carefully, the people that get the greatest deal out of this are those that are the least among us, are the low-wage workers whose benefits will be increased over and above current promised benefits in some of the proposals. I think that that is critical, and that is another point that I would put to my fellow Democrats as they look to address this issue. Echoing what Bob has said, I hope it does stop at the water's edge, because for this issue the people that will benefit the most are frankly the people that my fellow Democrats represent. Thank you.

CO-CHAIRMAN PARSONS: Thank you, Fidel. Lee.

MS. ABNOR: Thank you, Mr. Chairman. I too would like to thank the President to have the political courage to put the Commission together, the staff who have shown an incredible amount of expertise and support and ability to coordinate 16 very

independent Commissioners, and my fellow Commissioners who have shown a level of honesty and integrity that I think is quite unusual, at least in my 27 years of being here.

I want to talk about two things. First I want to talk about women and what we do for women. As Fidel was just talking about, we talk about low-wage workers and how we make the system more progressive. We heard some testimony from women's groups about the vulnerability of women in retirement, and we agree about that and are extremely sympathetic to the fact that women, unfortunately, make up the majority of the low-wage workers, live longer, and fewer of them than men have pensions and private savings. It is critical that the first thing that we do is to boost up the lower wage benefits so that even more of our precious elderly, the majority of whom are women, will be raised out of poverty. I think that is the first thing that we have to look at as far as women is concerned, is what we do to strengthen the insurance function of this program, regardless of what else we look at. I agree with Fidel.

Secondly then, in addition to that, as far as women are concerned, we as a Commission believe, unlike some others that testified, we believe that women ought to have the choice to decide for themselves if they would like to have personal retirement accounts. We believe that women are smart enough and responsible enough to make these decisions for themselves. So first, if you boost up the minimum benefit, and then secondly, offer that, the personal retirement accounts as an option for

women to decide for themselves. We think that this is a strong plus as far as what's the best approach for giving women the opportunity to create more financial security in retirement.

Third, for those who choose personal retirement accounts and are married, if they were to divorce, the accounts would be split 50/50. In Social Security right now, as some of you know, you have to be married for a full 10 years before you are entitled to a spousal benefit. If you are married less than that, you get zero. We don't do that with personal retirement accounts. We allow from the first day of marriage that the accounts would be equally split. I think that's very important.

(Background conversation)

MS. ABNOR: Then lastly, what we do for widows, in particular boosting the widows' benefit. So this is a plan -- a report that offers proposals that will -- that should be very much supported by women's groups and individual women across the country, because we are extremely sympathetic to the needs of women.

The second issue I would like to raise -- and I would like to offer this for submission in the report. Let me read this briefly. It is a couple sentences. Has to do with participation from outside parties and helping us review the different options and creating our own proposals. What I would like to offer for the report says, "A Federal Register notice invited testimony from the public at the Commission's public

hearings. We requested that the witnesses present their views for modernizing and restoring fiscal sustainability to the Social Security program. Overall, the Commission held 7 public meetings and heard testimony from more than 30 witnesses." I think it was 34.

"We, the Commissioners, thank all of those who presented constructive suggestions for the Commission's consideration." And there were quite a few that did that. We heard that, and we took those into consideration.

"The Commission also notes that several witnesses who are critical of personal retirement accounts," and frankly were some of the most vocal, the strongest, more fiercely in opposition to personal retirement accounts, "that we specifically asked some of these critics to give us their plans for Social Security reform, and in fact, one of them said that they would. We offered to have Steve Goss score those. We wanted to put those on the table as a part of being a responsible participant in the debate. We Commissioners regret that we didn't receive any of those plans."

So I would just like to say and kind of echo what Gwen was saying, is that kind of a little phrase that we have adopted here should be I think the mantra as we go forward, "no plan, no play." In this next year ahead of us, we have a year that will be a time of debate. It is only those who are willing to stop using Social Security as a political football and put responsible plans on the table really are those that should be considered,

and let the American public then make their own decisions, but the kind of attacks, which are fine -- critics are fine, we appreciate that. We want to know where we have problems in our approaches, but without offering their own solutions and spending more years attacking is irresponsible, and we would call on Congress and the media to ask them how they -- specifically how they intend to maintain the existing program as a part of their criticism of what we are suggesting. So those are the only two comments I would like to make. I appreciate again all of the Commissioners and the staff and look forward to participating in the debate ahead this next year.

CHAIRMAN MOYNIHAN: Lee, can I suggest that Dick and I are going to be a style committee in effect, as in Constitutional convention we will not change meanings but will try to be a little more coherent. We will take that amendment as it were and work it in.

MS. ABNOR: Thank you.

CO-CHAIRMAN PARSONS: Bob Pozen.

MR. POZEN: Well, I like others would like to thank Dick Parsons and Senator Moynihan for excellent leadership. I would like to thank the staff for a huge amount of effort, including a few all-nighters, and specifically Steve Goss who I think doesn't appear to sleep very much, since we keep getting emails from him at 2:00 and 3:00 in the morning.

(Applause)

MR. POZEN: Apparently seems to be a major work hour

for him, 2:15 in the morning I think. Let me try to answer four questions that I hear by critics of what we have done, and try to address them directly.

First question people say is, did you reduce or did you increase progressivity in the system? I think, to summarize a lot of points that have been made here, that we did increase progressivity in the system in several ways. First, for the first time there is a poverty benefit in Social Security, meaning you worked 30 years at minimum wage, you will be assured of getting a poverty level Social Security benefit. That does not exist now, and it would exist under both plans two and three.

Another thing that Lee mentioned is survivors. For people in the below average income level, we will increase the survivors' benefits to 75 percent. A third thing is on divorce.

Again, as Lee mentioned, if you are not married for 10 years, we will split the personal account 50/50.

A fourth point is the size of the account. You will see that in plans two and three there is a weighting of these accounts to make them larger for lower-income people by having a percentage but capped at a dollar amount, \$1,000.

Fifth of all, in plan three we do have, I guess Bill would say, a subsidized add-on by which we encourage people to save and we encourage them to put money in personal accounts, and that is specifically designed as a refundable tax credit for low-income people. Lastly, in plan three we do fool around with the last bend point and flatten out the curve a little.



So I would say overall these proposals really do go a long way toward increasing the progressivity of the system. If I was in favor of increasing the progressivity of the system, I should be in favor of these proposals.

Second question we get asked is are you cutting benefits, increasing benefits, et cetera. John has I think correctly said that the question isn't really being phrased in the right way. We are not cutting benefits. We are in fact growing benefits. Now, we are growing benefits if you put together the traditional Social Security program and the PRA, and I suggest that you look at some of the tables that are in there.

If you look at 2052, which is a reasonable date to look at since it has -- for people now just starting work, and if we look at that and we say if you have the traditional -- the total of the traditional Social Security benefit, plus the PRA, will that exceed 100 percent of scheduled benefits, those that are scheduled? The answer is, in plan two and three they do exceed 100 percent of scheduled benefits for low and medium workers, and in plan three they exceed them by a significant percentage because of the add-on.

Now, a third question we are asked is, well, how do we really know that we are going to get this higher return from PRA?

I think it is important to emphasize a few points. One is that we have been constrained by the Chief Actuary of the Advisory Social Security System to use a conservative rate of return of 4.6 percent real. That is the balanced portfolio of half stocks

and half bonds. We know that there are a lot of economists who would argue that the return should be higher, but we have tried to use a conservative and a standard return, and we suggest that other people who would do their plan should do that too.

Now, the other thing is people keep saying they invested in this particular IPO and it went down, et cetera. We do not allow investments in individuals stocks. We do not take the IRA route. We do not allow investments in sort of specialized technology.com funds. These are broadly diversified portfolios. We also provide an inflation protected bond portfolio for those people who really want a very conservative choice.

Now, people also say, well, what if I am not sophisticated and I don't know which portfolio to accept and to choose? There we provided a standardized portfolio which is 50 percent stocks and 50 percent bonds, and it is geared to be appropriate for people's age level. So it starts off with a little more equity and it moves to a little more bonds. So that we are responsive to the question what if you don't know what to choose. We provide you with the standardized portfolio.

Again, I would emphasize we have various pieces of literature going around saying that the NASDAQ or the S&P went down by so much in one year. Bob is right, that in 20 years -- over any 20-year period that market has gone up. Actually, if you look over 20, 30 and 40 years, the market has gone up, and that is the time frame we are talking about. We are talking

about people's working careers. Anything that happens in one year is really irrelevant, and some people say, well, what happens if there is a big problem toward the end. Well, we would suggest, as we do in the standard portfolio, as you get toward retirement that you move your portfolio more toward bonds and less toward equities.

Now, the last question that I get is people say, well, we used to have a budget surplus but now for the next few years it seems like we might have a budget deficit. Doesn't that undermine this proposal? I think the answer is clearly no. If you look at our mandate, we are not allowed to touch retirement benefits of anyone who is in pay status now or who is about to be, near retirement, and we have defined that as people over 55.

So as a practical matter, very little happens, very little budget impact occurs until 2009, and it's really from 2009 on that significant budget effects occur.

Now, I don't know whether there will be a budget deficit or a surplus in 2009, but I think that whatever happens over the next few years in terms of the projections for 2003, 2004 and 2005 really don't impact that. This just emphasizes again, this is a long-term problem and therefore people who look at things like this year or next year there is a budget deficit, are really looking at it in the wrong way. The sorts of things that are going to happen here are going to affect the budget from 2009 on for many, many years after that, and what's happening today just isn't that important for a long-term problem. This is

a long-term problem, and we need to start now and have a long-term solution. Thank you.

CO-CHAIRMAN PARSONS: Thank you, Bob. John.

DR. COGAN: Let me say to all my fellow Commissioners, it has been a real pleasure and quite an honor to be able to serve with you in this effort. To the staff, I say thank you very much for your long hours. Chuck, Jeff, and Kent, and of course to the rest of the staff members as well, thank you very, very much.

What this report shows is what is possible if we reform Social Security. Seems to me that the report, especially models two and three, demonstrate what is possible, namely the creation of individually owned personal accounts, giving Social Security for the first time an investment component. Second, we can improve Social Security's antipoverty protections, and third, we can put Social Security on a financially sustainable basis. Let me make a few comments on each of these achievements.

First, with respect to personal accounts, several members have already talked about the financial benefits of individuals of personal accounts, but the benefits of personal accounts go far beyond the purely financial. Workers who own financial assets built up through personal accounts will have greater security and greater freedom, greater security in the following sense: that one's retirement income is based upon real financial assets instead of unfunded political promises. Greater freedom, flexibility in the following senses: individuals would

have greater freedom as to when to retire, they would have greater freedom over choosing an economic lifestyle in retirement, and they would have greater freedom to pass on their wealth to their heirs should they wish to do so.

With respect to improving Social Security's antipoverty protections, as Bob said, the current program doesn't really offer poverty protections. One of the main rationales for Social Security in 1935 was to alleviate poverty in old age. Social Security has done an outstanding job in achieving that objective, and yet it is still the case, as we reported before, that 1 out of every 4 widows, never married women or divorced women over the age of 65 still lives in poverty. Surely we can do better than this, and all 3 of the options that the Commission has put forward would improve upon the current system's antipoverty protections.

Finally, the options, all three of them, do improve Social Security's financial status. Options two and, to some extent, option three would put Social Security on a financially sustainable basis.

A few statistics. The unfunded liability in Social Security now is over \$20 trillion over the next 75 years. Option number one reduces that liability by a very small amount, 8 percent. Option number two reduces that unfunded liability by about 70 percent. Option three reduces that unfunded liability by about 50, 55 percent. So all of the options to varying degrees improve Social Security's fiscal sustainability.

My belief and my hope is by offering this report to the President, we will move the ball forward on Social Security reform, and so I say, Mr. Chairman, let the debate begin.

CO-CHAIRMAN PARSONS: (Gavel pounding) Thank you, John. Tim.

MR. PENNY: Thank you, Mr. Chairman. First, I would like to identify myself with the remarks of those who have spoken before me, not only in terms of the substance of their comments, but also in terms of the praise that they have offered to the staff and to you, the Co-Chairs of this august group. In addition, I do have one minor -- I hope it will be considered a minor addition to the report. I will pass it down the line.

We speak at the end of the report about the need to look at SSI and to look at the disability insurance programs. I think a third admonition might be well to include in this report, and it is simply to state the obvious. That is, that over and above reform in the Social Security system, we clearly believe that retirement security is best built upon Social Security, work-based pensions and personal savings, and that we encourage policy makers to address additional incentives for retirement savings specifically targeted to younger workers and low-income workers.

CHAIRMAN MOYNIHAN: Um-hm. Um-hm.

MR. PENNY: If there is no discussion or objection, I would offer the style committee --

CHAIRMAN MOYNIHAN: Withhold just a moment, because we

are going to wrap up and that will be part of the wrap up.

MR. PENNY: That will be great. With that, I then have a few comments to make about the cost of these plans or these models as compared to the current system. First and foremost, it is important to recall, as we highlighted in our interim report, that today we are spending about 10.5 percent of payroll to support the system. We would have to raise that payroll tax rate to about 18 percent by the year 2035 to continue a pay-as-you-go structure with this system, and much higher payroll taxes as time goes by. In addition, even if you count the Trust Fund, we are looking at a period of time in the mid 2030s, right now projected to be 2038, at which these Trust Fund resources will be exhausted and then significant unfunded obligations begin to appear in the program over the longer term.

I am reminded of a quote by Charles Farrar Browne who once said, "Let us all resolve to live within our means, even if we have to borrow the money to do it." I don't think that is the future we want for Social Security. That would not be a secure future for American workers, and so in that regard we tried to measure fiscal sustainability in this program using a variety of measures. You can find those in chapter four of the report, and then these measures repeated in chapter five of the report where we analyze model one, model two and model three and speak to how they address each of these measures.

None of these are perfect measures. None of them alone is the best way to understand the fiscal sustainability of the

Social Security system for the long-term, but all of them are instructive in helping us to understand how each of these models does a better job on these fiscal questions than the current system. But I want to speak more specifically about models two and three. Even model one is preferable to the current system in terms of these fiscal tests, but specifically models two and three go a long way toward satisfactorily addressing these fiscal concerns.

The first measurement is cash flow. We know that by 2016 the current system will no longer be able to cash flow the benefits of the system, and that never changes through the 75-year test of this system. You never return to a cash flow situation.

Solvency is the second question that we pose. The plan today goes into insolvency by this measurement in the year 2038, and never again in the 75-year time frame does the current system return to solvency.

The third measurement is to reduce the rate of growth as measured by GDP. The current system, 4.2 percent today, 6.7 percent in 2075.

A fourth measurement is actuarial balance. The current system does not meet actuarial balance.

The fifth is whether we are improving the actuarial balance by the end of the 75-year actuary's period, and under the current system we are not.

The final test is whether we reduce the unfunded



obligations, and as Mr. Cogan just referenced, the unfunded obligations run into many trillions of dollars under the current system.

Under our plans or our models, all are improvements over the status quo, but particularly models two and three meet each of these tests in the following way. The cash flow in each of these plans does return by the end of the valuation period. Both of them are solvent during this valuation period. Both of them stay within or control the GDP growth. We actually hold steady throughout the entire period because of the adjustments that we have made. There is actuarial balance in the plan, and we have improvement in the actuarial picture toward the end of the valuation period. And, we reduce significantly the unfunded obligations of the system by 70 percent in plan two or model two, and by about 55 percent in model three.

The one final test of fiscal sustainability that I think is important to mention in this context and that is that the big difference here, one of the really big differences here, is that we have real savings in these alternate models. By the end of this period we will have a couple trillion dollars of real savings in dollars measured in today's -- against today's --

CHAIRMAN MOYNIHAN: Yes.

MR. PENNY: Thank you. And those are real savings that are owned by the individual. These are not savings that are subject to political risk. They are not subject to being spent for other government purposes, as has often been true with the

current system. These are real savings that will be there for individual workers in the future and that has a contract that cannot be broken.

So with that, there is a way of illuminating this, and it is in a chart that we have worked on over the last couple of days. I would at this point ask if I might defer to my colleague Olivia Mitchell to explain the changes that have been made in this chart over the last couple of hours.

CO-CHAIRMAN PARSONS: The gentleman yields to Ms. Mitchell.

DR. MITCHELL: Thank you very much. As an educator, of course my goal is to try to raise consciousness and awareness of the opportunities and challenges that are before us. So one of the things that I think we will like to have added to the final report is a series of appendices which elaborate in more detail some of the nitty-gritty details for the folks that want to get into that. Now I realize many people will not, but I think it is very important again that the Commission be very up-front and very clear about how the numbers look and where they come from.

Earlier today I put together a side-by-side chart enumerating some of these fiscal sustainability numbers. Perhaps because I have a cold -- I take responsibility. There were a couple of changes that we have to make, and so the chart that my dear colleague Mr. Parsky --

CO-CHAIRMAN PARSONS: Your assistant?

DR. MITCHELL: -- is handing out is an update of that.

CO-CHAIRMAN PARSONS: Your assistant?

DR. MITCHELL: We will have copies outside for people as well.

MR. PARSKY: I am happy to be your staff at anytime.

DR. MITCHELL: Thank you, sir. I am very grateful. If you cast your eyes down these -- and what I would like to propose, by the way, is that the staff help me, if need be, once again to just make very, very clear what the right ways are of presenting these numbers. But for example, I noticed already there was one error under item four at the last line; it should be present value dollars instead of 2001. So things like that we will be able to change, but the bottom line really reiterates what John Cogan said, that personal account assets at the end of the period are on the order of \$2 trillion between models two and three, not that much less actually under the first model, that there are substantial reductions in general revenue required vis-a-vis the \$22 trillion that we currently face. These plans all make some progress toward that goal. That Social Security cash flow is positive at the end of the period under two of the three plans. In terms of the actuarial balance over the period, we also see that there are various ways of presenting the numbers and that we certainly find improvement in the 75-year balances.

The other point I would make is that there is a line that indicates improvement in system net asset position due to personal account. That reflects the value associated with the personal accounts. The system is actually better off than that,

and so with your permission I would like to make sure that table reflects the additional beneficial status going forward.

The other point I would make in terms of the transition investment required across the three plans, these are investments over the 75-year period because that is the nature of the time horizon that the Actuary's Office has been using in the past, by convention, by custom, and so we too have used that 75-year accounting period. But I would only note that that transition investment does not reflect a payback outside the 75-year period, and so with your permission again I would like to reflect that additional payback in the best possible way and the most honest clean way we can. So let me just stop there.

I would like to commend to the public and all those who care deeply about Social Security that deep study is required to understand some of these, that clean debate will be necessary to decide which way we go as a nation, but that I think all of us agree that personal retirement accounts can and do offer a positive contribution toward strengthening Social Security. Thank you.

CO-CHAIRMAN PARSONS: Thank you. Olivia, I think this is a very helpful document and brings together everything we have been talking about earlier in the day. This will be one, as the Senator has indicated, we are going to have a style committee that will work with staff to finalize the report. We would encourage all Commissioners who have specific word changes over the next week to get those word changes in to staff, and then the

Senator and I will sit down with staff and we will have final document --

CHAIRMAN MOYNIHAN: Commissioner Penny gave us a text. Commissioner Abnor read us one, but will she give us one?

MS. ABNOR: I will give you this.

CHAIRMAN MOYNIHAN: Okay.

CO-CHAIRMAN PARSONS: And this report.

CHAIRMAN MOYNIHAN: And we have this from --.

CO-CHAIRMAN PARSONS: And we will finalize the report within 10 days so that we will have a final report for submission to the President and consumption by the public, let's say on or about the 21st of December. Having said that, a few personal observations and remarks if I might.

First, I would like to say a word about my Co-Chair. As I thought about it, I was actually reminded of another partnership that I share with somebody, where I am, notwithstanding size, clearly the junior partner. A number of years ago when my wife received her doctorate in psychology, one of her classmates gave her as a gift, a graduation gift, a nameplate which she promptly affixed to our bedroom door, and it said "Dr. and Mr. Parsons." I say that, because anytime anybody refers to the Co-Chairs they always say, well, Senator Moynihan and Dick, but it has been nothing short of a privilege for me, Mr. Co-Chair, to be in your company and guided by your wisdom, experience, grace, good humor, charm, and knowledge. So thank you very much for carrying me, as your junior partner, and the

rest of us along on this -- I don't know whether we call it a ride or a journey or whatever you had in mind, Tom, but on this important undertaking.

Secondly, to my fellow Commissioners, you know we have all had a new term come into the lexicon over the last two and a half months of American heroes. We have new models and images of what a hero is and what a hero does, and in my judgment, each of you women and men who served on this Commission is a true American hero. This is an enormously important undertaking which you have agreed to take on your shoulders as volunteers. None of you get paid for this, none of you campaigned for this office, but you agreed to serve when designated, and I think that in the fullness of time, a grateful public will understand the debt of gratitude that they owe this group for toiling as long and as hard and as thoughtfully as you have on this product.

Lastly, of course to Chuck and staff and Steve, I don't know whether -- Steve is everybody's staff. Steve is the staff of the Social Security Commission, he is the staff of this Commission to Strengthen, he is sort of staff to the world, and he has done an enormously outstanding job, and Chuck has been the leader of the staff effort. This would not have been pulled together, simply put, if not for your leadership and the good work that the staff that you assembled put in and the help of Steve Goss keeping us on the straight and narrow. So thanks to you all.

One comment by way of substance. Earlier Senator

Moynihan started us out by noting that he and I met with the President in late October, and the President essentially asked us to style the report by way of presenting options. So he has told you the what of the President's request. Let me give you a little sense of the why.

When we met, the President said, in sum and substance -- I am not quoting now, but the substance of it was, gentlemen, lots have changed since this summer when I put this Commission together -- or late last spring. We are now a country at war, and my first and highest and most urgent priority is to see this thing through and keep us together as a people as we battle internationalism terrorism. He said, but in thinking about it, I have concluded what I asked you to do, and your fellow Commissioners and the Social Security Commission, is even more important now than it was before. I have always known that it is an important issue facing American people, but I now have a fuller sense of the dimension and depth of that importance. So I am not backing off and I am not going to ask you to back off. In fact, I want you to continue and continue with all deliberate speed.

But what I would like to see, is I would like to see a range of options that essentially illuminate for the American people and for American policy makers what the -- not only what the issue is, but ways to get there and what the tradeoffs associated with those ways are, so that we can have in this country a full and vigorous debate about how to solve this

problem. I don't know that as wise as the 16 of you are, or 15 less you, Dick, about things, that any of us can find the silver bullet, the right answer, but what we can do is, we can tee this up so that I can continue to carry the message that Social Security needs to be reformed. It needs to be put on a sustainable course. We need to introduce the notion of private accounts to enable people to build wealth, but I can engage the people and the Congress in a debate around how best to do that. Let's take the next year or so to have that debate and discussion, so that people understand how important this issue is, and then I think we will be ready to take action.

So the report that you have, and just echo something my fellow Commissioners have said, these approaches that we have identified, you shouldn't think of those as, quote, "recommendations" per se. This report should not be viewed as, well, the Commission has come up with three courses, each of which or any of which will solve all the problems and therefore have the Commission's recommendation. What we have done is, we have come up with three courses that illustrate ways in which to attack the problem, each of which has some pluses and some minuses. We have tried to be clear and clear-minded about what those pluses and minuses are, but they all move the ball down the field, and it is now, we think, time for the policy makers, the people who at the end of the day have to make decisions around how to deal with those problems, to grapple with those suggestions, those options, or others that they may come up with



to deal with this important problem.

So hopefully that gives you some sense, some context of how we got to where we got to. As you know from things we have said in the past, both the Senator and I believe that no matter how policy makers ultimately determine to tackle the sustainability issue, we think it is important that the notion of private accounts that give people an opportunity to create wealth for themselves and to save, thereby strengthening the underlying economy of the country, is important. So we have blended those in the report that I think is balanced and clear and hopefully helpful. With that, I turn the gavel back over to my distinguished senior Co-Chair. Go take us home.

CHAIRMAN MOYNIHAN: I cannot image any way we could express our sense of the extraordinary qualities of Dick Parsons than by listening to what he has just said. He spoke for all of us, he spoke for the nation, he spoke for the future. It is a source of great satisfaction to this aging --- than he will be there for the future. With that, may I ask that subject to the amendments we have accepted, received and accepted, and to the changes that will be made by the style committee, the adjustments by the style committee, I would move that the report be approved and adopted by the President's Commission. All in favor will please say aye.

(A chorus of ayes)

CHAIRMAN MOYNIHAN: Are there any opposed?

(No audible response)

CHAIRMAN MOYNIHAN: The ayes have it. It is a unanimous event. As Bill Frenzel will agree -- I think he is an historian, I do not doubt that this is the first time ever there has been a unanimous agreement on a matter of this kind. It has been an honor to have you, and it has been an extraordinary achievement, which will resonate through the years, thanks not least to you, sir. May I say that we will have a press conference at 1:00 o'clock, somewhere.

CO-CHAIRMAN PARSONS: Involving all 16 of us.

CHAIRMAN MOYNIHAN: And we will all be here at your disposal. With that, we conclude.

(Whereupon, the meeting was adjourned at 12:22 p.m.)