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HEARINGS

Before The

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

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EXECUTIVE SESSION

TUESDAY, FEBRUARY 26, 1980

United States Senate,  
Committee on Finance,  
Washington, D. C.

The Committee met, pursuant to notice at 10:25 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long, Chairman of the Committee, presiding.

Present: Senators Long, Ribicoff, Byrd, Bentsen, Moynihan, Baucus, Bradley, Dole, Packwood, Roth, Danforth, Heinz and Durenberger.

The Chairman: Let us call this meeting to order.

Harry Byrd will represent the Conservative Democrats. I do not know who will represent the Conservative Republicans.

I think we have enough representation to talk about matters.

Senator Packwood: Mr. Chairman, may I ask one thing to relieve people's minds? I hope in the direction to the Budget Committee, one of the things we would indicate to them is that we are not going to recommend the taxation and Social Security. They should not count on that in their budget estimates when they are deciding what portions of the budget should be allocated to this committee.

1 The Chairman: What?

2 Senator Packwood: We are not going to tax Social  
3 Security. The Commission made a recommendation two, three,  
4 four weeks ago -- I do not know about your office. My office  
5 has been getting letters by the hundreds that Congress is going  
6 to tax Social Security. I would simply hope in our  
7 recommendation to the Budget Committee that we tell them that  
8 this Committee does not intend to tax Social Security. They  
9 should not count on the assumption that it should be taxed in  
10 estimating their budget revenue.

11 The Chairman: What can you advise me about that, Mr.  
12 Stern?

13 Mr. Stern: The President's budget does not assume that  
14 Social Security benefits are going to be taxed. We were not  
15 even going to bring it up.

16 Senator Packwood: I want to be sure that the Budget  
17 Committee does not operate on any presumption that this  
18 Committee -- I would almost like a positive declaration out of  
19 this Committee so I can respond to my mail that we have no  
20 intention of taxing Social Security.

21 The Chairman: Is there anyone here who has a proposal to  
22 tax Social Security?

23 Senator Byrd: Not I.

24 Senator Danforth: Do not look at me.

25 Senator Heinz: We did not move a muscle, Mr. Chairman.

1 Senator Packwood: Can I say the Committee acted  
2 unanimously not to tax Social Security?

3 The Chairman: I would like to ask the staff if we have  
4 some time after this meeting to ask the Senators if they have  
5 any plans to suggest a tax increase on Social Security. I am  
6 not aware that anyone is pushing for that.

7 Senator Packwood: Good.

8 The Chairman: I think unanimously we have no plans and no  
9 intention of taxing Social Security, so you can answer your  
10 mail.

11 Senator Packwood: When I go to the Budget Committee, when  
12 that issue comes up I want to say no one on the Finance  
13 Committee indicated any plans to tax Social Security.

14 The Chairman: Fine.

15 Mr. Stern: We will ask the absent members. Senator Roth  
16 is here.

17 Senator Packwood: Senator Nelson has a resolution to that  
18 effect, but it is directed to the entire Senate, rather than us  
19 to the Budget Committee.

20 The Chairman: Senator Roth, do you have any plans to put  
21 a tax on Social Security?

22 Senator Roth: A tax on? Not exactly.

23 The Chairman: So far that keeps the record clean, that  
24 nobody has any plans along that line. If we find somebody, we  
25 will let you know. If we find that some Senator has some plans

1 to tax Social Security, we will try to inform you and you can  
2 inform your constituents who it is, who is working on that  
3 proposal.

4 Senator Byrd: Who wants to tax Social Security?

5 Senator Packwood: It is a Commission appointed by the  
6 President. The argument that is used is this. It is to tax  
7 the half of Social Security that results from the employer  
8 contributions because with private pensions, the half that is  
9 paid for, or a portion paid for by the employer, is subject to  
10 taxation. Therefore, in terms of their logical thinking, they  
11 therefor say Social Security, that portion of it paid for by  
12 the employer, should be taxed.

13 The Chairman: From the point of view of a tax purist, and  
14 we have some ---not necessarily here, but we have some around  
15 here -- some one in Washington that thinks everyone in  
16 Washington that thinks that everyone should pay their fair  
17 share of tax, proportionate share of tax, tax everything and  
18 the like, from the point of view of those who want to do that,  
19 of course, that makes sense. You ought to tax everything.

20 The same kind of people who rose to the occasion to put  
21 the tax on the carryover basis that had not been taxed and  
22 therefore should be taxed. I am sure, from their point of  
23 view, it makes good sense. So far as I know, nobody is  
24 recommending it.

25 Senator Bentsen, do you have some plans for taxing Social

5  
1 Security?

2 Senator Bentsen: Let me get up and come back in again.

3 The Chairman: The answer is no.

4 Senator Danforth: Mr. Chairman?

5 The Chairman: Senator Danforth?

6 Senator Danforth: I wonder if I could make a comment  
7 before we get into the Blue Book and the Budget. It is this.

8 It seems to me that the driving fact is that we have an 18  
9 percent inflation rate right now and that we are now embarking  
10 a new year for the Finance Committee. Hopefully the windfall  
11 tax conference will be wrapped up sometime and we will be  
12 getting on to other things.

13 The kick-off for the new year is always going to this  
14 drill on the Budget Act. What should always be in our mind is  
15 that, as of the most recent figures, the annualized inflation  
16 rate is 18 percent.

17 Now, obviously what we do in the Finance Committee has an  
18 effect on the economy. All revenues raised are raised under  
19 the jurisdiction of the Finance Committee. About half of the  
20 expenditures, I think -- something like that -- is it not,  
21 Mike?

22 Mr. Stern: Yes, sir.

23 Senator Danforth: Are within Finance Committee  
24 jurisdiction.

25 Therefore, what goes on in this committee clearly has an

1 effect on the total economic policy.

2 The Chairman: Hold on, a minute. You say half of it.

3 You are including interest on the national debt in that?

4 Mr. Stern: Yes, sir.

5 The Chairman: Because from my point of view, I do not see  
6 if they want to attack us with that, somebody can, but I do not  
7 see how we can do a blessed thing about it. I would be willing  
8 to pass that onto Mr. Proxmire, or anybody else, who wants to  
9 handle interest on the national debt.

10 It looks to me that that is beyond our control, unless you  
11 have some people here who want to grab hold of it and try to  
12 control interest rates.

13 Senator Danforth: It may be that a lot of what we do is  
14 beyond our control.

15 The Chairman: The point is --

16 Senator Danforth: Most of the programs are entitlement  
17 programs.

18 The Chairman: The point is, the only thing you can do  
19 about interest on the national debt is put controls on. We do  
20 not have jurisdiction over controls, so that it seems to me  
21 that it ought to be a Banking and Currency matter -- Banking,  
22 Housing and Urban Development. They have the controls.

23 I do not think it is fair to charge this committee with  
24 the interest on the national debt. If you want to reduce it,  
25 you are going to have to put some controls on lending. We do

1 not have the power over controls.

2 Go ahead.

3 Senator Danforth: Well, the two observations with respect  
4 to the inflation rate are, first, obviously what the Finance  
5 Committee does has an effect on the economy and secondly, what  
6 happens in the economy has an effect on the programs that are  
7 within the jurisdiction of this committee.

8 Now, back in '77, when we passed the Social Security Act  
9 -- I would like to pass these out, Mr. Chairman -- we did so on  
10 the basis of projections of what was going to happen to the  
11 Consumer Price Index and --

12 The Chairman: Pass them around.

13 Senator Danforth: The projections are in the third column  
14 on this sheet of paper which was given to us yesterday, in the  
15 Social Security Subcommittee, so what we did, we passed a  
16 Social Security financing bill --

17 The Chairman: Mike Stern, do you have a copy of that?

18 Senator Danforth: So back in 1977 when we passed the  
19 Social Security financing bill, the projections for the CPI  
20 were the ones on the third column of this sheet of paper, that  
21 is 5.3 percent inflation rate in '79, 4.7 percent in 1980, 4.1  
22 in '81 and 4.0 in every year thereafter.

23 Now, in fact, the inflation rate has been substantially  
24 higher than that. The latest figure is over 18 percent.

25 So that the programs under our jurisdiction, Social



1 Security, welfare, Medicaid, Medicare and so on become much  
2 more expensive when the inflation rate goes up.

3       There are two things involved. First, what we do has an  
4 effect on the economy and secondly, and conversely, what  
5 happens in the economy as an effect on our programs.

6       Now, what concerns me as we begin work on the budget  
7 process and as we begin consideration on a host of other things  
8 that some of us are interested in, catastrophic health  
9 insurance, welfare, revenue sharing, all these other things  
10 that we are interested in individually -- I am interested in  
11 all of them -- is that we tend to address ourselves to them on  
12 an ad hoc basis. Piecemeal, one at a time, without a sense of  
13 how all of this fits into the general economic picture of how  
14 what we do affects the economic picture and how the economic  
15 picture affects us.

16       So I do not really know what to suggest other than to make  
17 the observation, except that Senator Bentsen is the Chairman of  
18 the Joint Economic Committee, his Committee has all kinds of  
19 experts on the economy who appear before it and give their  
20 views on what is going to happen.

21       It would seem to me that there should be some way of  
22 setting up some criteria for what we do in the Finance  
23 Committee on the basis of general economic conditions because I  
24 am concerned. Maybe this is -- or maybe it is not the time to  
25 embark on exciting new programs. Maybe it is or is not the

1 time to proceed with, say, a welfare bill or a catastrophic  
2 health insurance bill. Maybe it is the time for a tax cut, or  
3 is not the time for a tax cut.

4 If it is the time for a tax cut, maybe it should take one  
5 form or another, but it seems to me in making those decisions  
6 the dominant fact that should be in our minds -- and as we go  
7 through the blue book, the dominant fact that should be in our  
8 minds is that we have an 18 percent inflation rate right now  
9 and that maybe we should have some mechanism for getting the  
10 best advice of the experts on the whole economic picture to  
11 guide us as opposed to going through, sort of seriatim over the  
12 next year, a whole panoply of proposals that may or may not  
13 make sense against a background of an 18 percent inflation  
14 rate.

15 The Chairman: Let me react to this.

16 Of course, the Senator has a point. It is deserving of a  
17 lot of discussion and a lot of consideration by this committee  
18 and by a number of others.

19 Now, the point that I am concerned about, though, is we  
20 have so much that we have to do that when we meet and when we  
21 get the number of Senators here ---we have pretty good  
22 representation here at the moment -- I think we really should  
23 try to decide what it was that we came to decide on. And then  
24 direct our attention to these other matters.

25 After we have some remarks on this, I would like to get

1 our focus on what we came here to decide on. Then I am willing  
2 to stay around, as long as we can keep a substantial  
3 representation, to discuss other matters.

4 Did you want to comment on that, Mr. Bentsen?

5 Senator Bentsen: If I may, Mr. Chairman.

6 I think that Jack Danforth has made a very valid point and  
7 it is a tough one in trying to make his Congress work and the  
8 Committees work and to coordinate the efforts.

9 What the Chairman has just said, the problems of just  
10 getting people here and getting the mechanics and the  
11 consideration of the legislation accomplished is a very real  
12 one and he has met that challenge for a long time and very  
13 effectively.

14 What we are trying to do in the Joint Economic Committee  
15 sure does not infringe upon the responsibilities of any of the  
16 legislative committees. That is not our job. But what we are  
17 trying to do is take more of a longterm look at the situation  
18 and try to say the direction we ought to be going from from an  
19 economic standpoint and try to create a mood, an atmosphere,  
20 for it.

21 We have come up with an annual report last year, and again  
22 this year, that calls for a major change in direction from an  
23 economic standpoint, and a good part of that would fall within  
24 the jurisdiction of this Committee. Some people look at that  
25 report and will be disappointed because they say it does not

1 have SR 1822 and it does not say specifically, with great  
2 specification, how to do it. If we did that, we would be doing  
3 the Finance Committee's job and that is not our business.

4 The Budget Committee looks at the short term, year by  
5 year. The Joint Economic has the responsibility of more of a  
6 longterm outlet to it. You have done something here in getting  
7 Mike Evans to do a job on supply side economics and we started,  
8 really pushing that and have been on the cutting edge of the  
9 Joint Economic Committee early last year.

10 We did one with Otto Eckstein which is now out and  
11 published which isolated and held apart the supply side to see  
12 just what effect would be had on it by neutralizing the  
13 consumption side, the demand side. We said by tax cuts to  
14 modernize the capacity of this country, increase productivity,  
15 you would have a compensating cut in budget or monetary  
16 restraint, or a combination of the two, so we hold that study  
17 and we come out with some very impressive gains in productivity  
18 ---very impressive, and real cuts in inflation if you do some  
19 of these things.

20 I would recommend, Mr. Chairman, to this committee --  
21 which has, I think, a very major responsibility in this  
22 Congress from an economic standpoint -- to look at that and try  
23 to keep that in mind as you do some of these things.

24 Specifically, I do not know how to coordinate it any  
25 better, Mr. Chairman, except to recommend it to you, defend it

1 to you and to the individual members of this committee.

2 The Chairman: Mr. Roth?

3 Senator Roth: Mr. Chairman, I would like to strongly  
4 endorse what Jack Danforth has said because I think that one of  
5 the principal problems of government today - and we have all  
6 been guilty of it -- is that we tend to look at each program  
7 and each area of activity separately. Somehow, I think the  
8 time has come when we have got to change.

9 I do not think that there is time to delay it further.

10 I recognize that we have a very serious timeframe problem  
11 on this already to get the information essential to the Budget  
12 Committee. At the same time, I think in making these  
13 decisions, that it has never been more imperative that we look  
14 at the comprehensive whole of this committee and the impact  
15 that we are going to have.

16 So I would strongly urge -- ideally, it should be done  
17 first. On the other hand, perhaps going through piece by piece  
18 and looking at what we have to consider and then scheduling  
19 some major hearings with appropriate people, possibly people  
20 from the Joint Economic Committee; whereas, Lloyd Bentsen has  
21 said, we have already done considerable work, we can begin to  
22 mesh the two.

23 But I really think that we cannot delay that with the  
24 seriousness of that 18 percent inflation. I, for one, am  
25 willing to spend whatever time is necessary for that purpose.

1 I think Jack Danforth has made a very valuable suggestion.

2 The Chairman: I think that it is a good suggstion, but I  
3 think that we had better focus, at the moment, on what the  
4 staff has prepared for us, what we came here to vote on, and  
5 let us see if we can react to what our figures are in the  
6 Budget Resolution because some of this we have already voted  
7 on. Some of it remains to be voted on.

8 The Budget Committee wants to know, can we live within the  
9 budget figures. Of course, they would like for us to even  
10 recommend a cut, which I doubt the Committee wants to do, but  
11 we ought to at least get down to it.

12 Suppose you go ahead and explain to us, Mr. Stern, what  
13 the key decisions are that we have to make here for budget  
14 purposes.

15 Mr. Stern: Yes, sir.

16 In your March 15th report to the Budget Committee, you  
17 will be reporting both on expenditures and revenues. It would  
18 be our purpose to start on the spending side today.

19 If you complete that, go on to revenues tomorrow.

20 In this blue book, on page 14, we have listed the economic  
21 assumptions in the budget and we do that because the very large  
22 programs of Social Security and unemployment and the revenue  
23 estimates are based on these economic assumptions.

24 The Budget Committee may adopt slightly different  
25 assumptions and those figures will change. The major decisions

1 that are expected of the Finance Committee really relate to new  
2 legislation and the various areas of committee jurisdiction.

3 I guess we can go to chart four on page 16 which shows the  
4 status of the Social Security cash benefit trust funds under  
5 present law. This has a bearing on what you may decide to do  
6 in the area of tax cuts if anything.

7 We point out on this chart that for the next four years  
8 the trust fund in the cash area will lose more. That is to  
9 say, it will have a higher outgo than income. So actually the  
10 balance in the trust funds will decline over that period of  
11 time and as a cash flow matter, it becomes quite serious  
12 because it drops to less than one month's worth of benefits.

13 In fact, if you look at the old age and survivor's  
14 insurance fund separately from the disability fund, that fund  
15 -- the OASI fund will drop to less than a month's benefit  
16 during the last quarter of calendar year '81.

17 It is likely that you will not be able to do very much  
18 that would weaken the amount of money in the trust fund for the  
19 short run. For the immediate fiscal year, we are simply  
20 suggesting using the numbers in the President's budget for  
21 existing law.

22 On page 24 we show the Social Security Administration  
23 Federal fund programs.

24 Senator Moynihan: Could we go not quite so fast, Mr.  
25 Chairman?

1 The Chairman: Yes, sir.

2 Senator Moynihan: The outgo on the trust fund rises very  
3 sharply.

4 The Chairman: What page are you looking at?

5 Senator Moynihan: Chart 4, page 18.

6 The Chairman: All right.

7 Senator Moynihan: Is there anything peculiar to that  
8 outgo other than the rate of inflation? Is that what inflation  
9 is doing to it?

10 Mr. Stern: The major factor is the cost-of-living  
11 increases that occur annually which are related to inflation.

12 Senator Moynihan: That does not involve any legislation,  
13 just your projection of what the price index will do to outgo.

14 Mr. Stern: There is some increase in the total number of  
15 beneficiaries, far outweighed by the benefit increase.

16 Senator Moynihan: Thank you, Mr. Chairman.

17 Senator Byrd: May I ask a question, Mr. Chairman?

18 The Chairman: Senator Byrd.

19 Senator Byrd: Mike, as I recall a year ago there was  
20 about a five months' supply of money for the Social Security  
21 fund in the fund at any one particular time. Is that  
22 recollection correct?

23 Mr. Stern: That would be about, I guess, 45 percent or  
24 so. I do not think it was that high a year ago.

25 Senator Byrd: Now, as I read your chart, it will be about



1 three months, enough to take care of three months Social  
2 Security benefits?

3 Mr. Stern: Yes, sir.

4 Senator Byrd: Then you have an actual \$7.69 billion  
5 deficit. Do you or do you not?

6 Mr. Stern: That is right. That is the extent to which  
7 outgo exceeds income in fiscal year 1981.

8 Senator Byrd: There would still be enough funds to pay  
9 about three months of Social Security benefits.

10 Mr. Stern: That percentage relates to the beginning of  
11 the year, so in October '81, it is expected there would be  
12 about three months worth of benefits in the fund. By October  
13 1982, two months worth, and so forth.

14 Senator Byrd: Or less.

15 Is that not getting into a pretty dangerous position?

16 Mr. Stern: Yes. I think we would argue that it  
17 represents a substantial cashflow problem.

18 The Chairman: When does that occur?

19 Mr. Stern: Even when you combine the two trust funds  
20 together it would drop to less than one month's benefits by  
21 January, 1983.

22 Senator Byrd: Historically we have had six months or  
23 eight months of benefits.

24 Mr. Stern: The standard that was set at the time that you  
25 changed the method of financing of Social Security in 1972, the

1 standard was nine months worth of benefits, between nine and  
2 fifteen months.

3 Senator Byrd: Next year it will drop to one month. 1982  
4 it will drop to one month.

5 Mr. Stern: During the course of that year.

6 Senator Byrd: During the course of 1982, it will drop  
7 to one month.

8 With these figures, is it realistic to think about  
9 reducing the Social Security tax?

10 Mr. Stern: Well, I think you might want to reduce the  
11 impact of the Social Security tax but I do not think you would  
12 want to do it by taking money out of the trust fund itself.

13 Senator Byrd: How would you reduce the impact?

14 Mr. Stern: The way the Congress did it in the last tax  
15 cut was to reduce income taxes to offset the effect of the  
16 Social Security tax increase.

17 Senator Byrd: My specific question, is it realistic to  
18 think about reducing the Social Security tax?

19 Mr. Stern: If you do not find some other way of putting  
20 money in the trust fund, I would say no.

21 Senator Byrd: There is no money in the general fund, is  
22 there?

23 Mr. Stern: What the general fund is projected would be in  
24 deficit.

25 Senator Byrd: \$40 billion for this current fiscal year.

1 Mr. Stern: Right.

2 Senator Byrd: It seems to me it would be very foolhardy  
3 for this Congress to reduce the Social Security tax when you  
4 are just on the ragged edge of having enough funds to pay the  
5 beneficiaries.

6 The Chairman: If you reduce it, you have to get it back  
7 someplace.

8 Senator Danforth: Mr. Chairman?

9 The Chairman: Senator Danforth.

10 Senator Danforth: During the last few days, there have  
11 been hearings of the Social Security Subcommittee and Mr.  
12 Tshais from Harvard has stated, in his opinion, during the next  
13 five years an additional \$65 billion has to be somehow provided  
14 for the Social Security trust fund to provide an adequate  
15 reserve.

16 Yesterday, Robert Ball, former Administrator, suggested  
17 \$125 billion additional funds for it. There are various ideas  
18 for how to provide that.

19 One, by borrowing between the trust funds to make the Old  
20 Age and Survivors' Insurance solvent. But Tshias says that he  
21 does not think very much of it can come out of borrowing.

22 All their proposals are for some money to be transferred  
23 one way or the other from general revenues.

24 So the long and the short of it is, apparently over the  
25 next five years, if we are going to maintain an adequate

1 reserve to put Social Security on a sound footing, somehow,  
2 somewhere, between \$65 billion and \$125 billion has to be  
3 found.

4 Part of that may or may not come from borrowing from  
5 disability insurance or from hospital insurance, health  
6 insurance. The rest of it either in Social Security taxes or  
7 from borrowing from general revenue or foregoing a portion of a  
8 general tax reduction and in fusing that into Social Security.  
9 That is the present status.

10 It is brought about by the difference between the economic  
11 projections in 1977, which is on the sheet of paper, and  
12 reality, whereas in 1977, we estimated that the cost-of-living  
13 increase will be 5.3 percent in 1979, 4.7 in 1980, 4.1 percent  
14 in 1981. In fact, the economic reality is a far cry.

15 Senator Ribicoff: Let me ask this question.

16 There has been talk, from time to time, of raising the gas  
17 tax. I know it is politically unpalatable, and yet it solves  
18 many problems of energy and everything else.

19 Would it be less politically unpalatable and solve a lot  
20 of problems if we would earmark the increase in the gas tax for  
21 the Social Security trust fund and in this way, the people who  
22 are really paying the gas tax will be the beneficiaries through  
23 Social Security, through the lessening of the tax, or to assure  
24 the benefits that they received?

25 I came in towards the end of Jack's statement and I sort

1 of caught what he was trying to say. I am sorry the Chairman  
2 is not here. I have listened to Senator Bentsen.

3 I think first, as a man who is leaving the Senate, I think  
4 without question this is the most important committee in the  
5 United States Senate. I think it has the gravest of all  
6 responsibilities of any in the United States Senate, including  
7 the Budget Committee, because you are at the end here at this  
8 committee of raising the money for everybody's mistakes,  
9 including your own and our own.

10 And with the inflationary rate in such a rapid increase  
11 that it has shaken everyone's preconceived ideas, economic and  
12 otherwise, of what the country has to do and everyone is  
13 willing to take some new looks on the spending side and the  
14 revenue side.

15 Since this Committee is stuck with this problem, and has  
16 the responsibility of doing something about it, would there be  
17 any interest now in helping solve some of the energy problems,  
18 the tax problems, the Social Security problem, by working on a  
19 gas tax again, but earmarking, instead of going to general  
20 revenue, where all holy hell would break out, to raise the  
21 problem of Social Security and all of its implications and  
22 earmarking specifically an increase in the gas tax for Social  
23 Security?

24 My understanding is that a 25 percent gas tax would raise  
25 \$33 billion a year. Would this help solve it? Gaylord is not

1 here. I do not know if Lloyd has paid much attention to it.

2 Senator Bentsen: I can say that from the standpoint of  
3 how much it would raise, you can figure about one cent per  
4 billion dollars that it would raise.

5 We agreed in the conference -- and Chairman Ullman agreed  
6 and Chairman Long -- that they would have hearings this year on  
7 the trust fund. That was for purposes of making the trust fund  
8 whole on gasohol.

9 But I would not be surprised if, at the same time, we  
10 would be talking about a change in the tax.

11 I for one, and I know Senator Dole suggested, talking  
12 about going to a percentage tax on gasoline. That may open up  
13 other considerations at that time, perhaps along the lines you  
14 are talking about.

15 Senator Danforth: I have not supported the gas tax yet.  
16 But it seems to me that in a stable economy and a predictable  
17 economy then it is perfectly fine to proceed on decisions on a  
18 piecemeal basis, on an ad hoc basis. You know what the rules  
19 are.

20 But at a time of great economic change, and an 18 percent  
21 inflation is certainly a great economic change, and the effect  
22 of decontrol is going to be a great economic change, then it is  
23 just not really possible to proceed on an ad hoc basis and  
24 really -- then I will stop repeating myself -- there really has  
25 to be some way of getting the broad view of the economy and

1 then coming out with some sort of basic game plan as to what we  
2 are about. Otherwise, if we do not have a broad view of the  
3 economy and if we just operate on a day-to-day basis, or a bill  
4 by bill basis, then there is no sense as to what the effect of  
5 all of these specific decisions will be on the economy, or what  
6 the economy and what it is doing will be on the specific  
7 decisions, such as Social Security.

8       It is just a classic case in point. We are not three  
9 years ago, two and a half years ago, we were told we were  
10 going to make the Social Security system solvent until some  
11 time in the year 2000 and something. It is just not so.

12       Now we are told in the last two days in the Social  
13 Security Subcommittee that we are looking for a shortfall of  
14 between \$65 billion and \$125 billion, depending on who you are  
15 talking to, over a five-year period of time.

16       I do not want to repeat myself forever. It just seems to  
17 me that unless we have some kind of an overall plan of what we  
18 can afford and what we cannot afford, what kinds of revenues we  
19 need to raise, whether we need to increase some taxes, whether  
20 it is the gasoline tax or something else, reduce taxes as  
21 Senator Roth proposes across the board, or should it be on the  
22 supply side, as Senator Bentsen proposes?

23       Each of us has our own ideas on it.

24       For some reason, instead of making the broad policy  
25 decisions and then working out the specific decisions based on

1 those broad policies, we ignore those broad policy matters and  
2 proceed with a series of ad hoc questions. It is as though the  
3 work that is done by the Joint Economic Committee is almost  
4 irrelevant to real decisions that re made around here.

5 Senator Byrd: Those figures that Senator Danforth has  
6 presented and the figures presented by the staff in these  
7 charts, it seems to me, are very alarming. It seems to me that  
8 the Congress is playing Russian roulette with a program that  
9 is, I feel, more important to more people than any other  
10 program in government, namely the Social Security program, and  
11 I would have thought that that tax increase which I voted for  
12 two years ago or whenever it was would put the Social Security  
13 Trust Fund in reasonably good shape.

14 We were so informed at the time. But certainly these  
15 figures do not indicate that the trust fund is in good shape.

16 The Chairman: The whole thing was no problem until we let  
17 somebody sell it -- not necessarily us, but sell the Senate on  
18 indexing the Social Security benefits. Over time, you get  
19 inflations moving prices up, up go the benefits.

20 Prior to that time, when the cost of living would go up,  
21 income would go up. This Committee would meet and say, well,  
22 you folks got an increase in the cost of living. We had better  
23 do something to take care of you. And we would give them an  
24 increase that would exceed the cost of living. They would be  
25 made whole for the cost of living plus a kicker, an increase



1 over and above that.

2 But we were confronted out on the Floor repeatedly with  
3 the intensions of solving the whole problem for all time to  
4 come when inflatio moves things up, automatically up would go  
5 the benefits. Eventually they persuaded the President to see  
6 it their way.

7 And so we are stuck with it and we have been projecting a  
8 bankrupt fund ever since that time.

9 So we go to work and vote for a big tax. Some people will  
10 confront us, those of us running for office, with the charge  
11 that we have voted for the biggest tax increase in history.  
12 What was that? That was to try to pay for the Social Security  
13 benefits.

14 Now, if a) inflation is going to keep moving on you and  
15 then b) every time you go out there with a social welfare bill  
16 somebody has got an amendment to increase it like we have this  
17 last time, how many soldiers did we have willing to stand up  
18 and join that Charge of the Light Brigade on the cancer  
19 amendment last time? Twelve of them.

20 If every time you go out and somebody has an amendment to  
21 make a heart-rending case about poor people and here go more  
22 benefits, expanding that to cost \$3 billion to do uniform  
23 justice on that amendment. If you think you are broke now,  
24 wait until you look at all these well-intentioned amendments  
25 down there on the Floor.

1           So all we can do is try to hold the line and try to keep  
2 the money in line with the benefits. Of course, one thing we  
3 ought to do is insist every time someone has some amendment to  
4 increase benefits ---this used to be the John Williams program.  
5 John insisted. You ought to insist that the amendment be  
6 accompanied by an increase in the tax.

7           Otherwise, it should not be considered in conference and  
8 it should be voted down anyway. But if somebody had some  
9 amendment we would go to conference, go to the House and would  
10 not consider it.

11           But operating on that theory some years ago, one of our  
12 colleagues had one of these amendments provide somebody some  
13 new benefits they were not getting before, running for office  
14 that year, and persuaded lobbyist friends to vote with him  
15 because of it, and they prevailed on it. You would go and tell  
16 them and say there is not a chance on earth that that amendment  
17 be agreed to in conference unless you put an amendment on here  
18 to pay for it with a tax.

19           If you put the tax on to pay for it, we might be able to  
20 get something agreed to in the conference.

21           Well, the Senator wanted to pass out all the goodies  
22 because he was running for office and would not even offer the  
23 amendment to pay for it. Well, if you are not willing to find  
24 some way to pay for it forget about it. It will not come back  
25 in conference, and it did not.

1           That is the problem, Senator. All of these noble  
2 intentions of people -- everybody wants to vote to help the  
3 poor. Everybody wants to vote to help the disabled. Everybody  
4 wants to vote to help the sick, and nobody wants to vote to pay  
5 for it.

6           That is the trouble.

7           Frankly, as long as you have that to contend with, I  
8 challenge anybody to me how we are going to pay for it, how we  
9 can expect these fiscal conservatives like Harry Byrd to go and  
10 vote all these taxes to pay for all these welfare programs and  
11 new benefits for which they did not vote?

12          How are you going to do that, Harry? Are you going to  
13 vote to pay for all this stuff you did not vote for?

14          Senator Byrd: I voted for that last Social Security  
15 raise.

16          The Chairman: You found the money.

17          Senator Byrd: I voted for the Social Security tax. I  
18 voted for the tax because I thought it was necessary. I think  
19 it is important to protect the Social Security program. It has  
20 been a good program.

21          Congress screwed it up in 1972 was when we messed up, when  
22 half the Senate was running for President and the other half  
23 wanted to run for President.

24          The Chairman: Yes. On that occasion the Chairman of the  
25 House Ways and Means Committee was in that New Hampshire

1 primary and he sent us a wire. They had sent the Social  
2 Security bill from the House over to the Senate and he sent a  
3 wire from the Senate Finance Committee urging us to put a 20  
4 percent across-the-board increase without any tax to pay for it  
5 on that bill, as you recall.

6 Some people said that is the most expensive race for  
7 President. Never has it been more expensive in money and less  
8 votes to show for it, in the raise when the Chairman of the  
9 House Ways and Means Committee wanted to be nominated for  
10 President of the United States.

11 We have been living, in this committee. By the time we  
12 had to contend with all of that, as I recall the history of it,  
13 I looked over -- I asked Chairman Talmadge, how many people,  
14 how many votes he thought against that amendment on the Floor  
15 and he said not many. Very few will.

16 I said if they are going to do it to us anyway, why do we  
17 not recommend it out of the Committee? Clift Hansen stood up  
18 and said, Mr. Chairman, I am going to have to do my duty to my  
19 conscience, no matter how anybody else votes.

20 Thus inspired, the Committee voted it down.

21 Out there on the Floor, there were only two votes against  
22 it, and that did not include Clift Hansen.

23 Senator Dole: He did not understand it.

24 Senator Ribicoff: While you were out of the room, Mr.  
25 Chairman, I talked about the basic responsibility. This is one

1 Committee that cannot duck it. Everyone else can. And I  
2 suggested that a 25 cent gas tax, that the funds be used for  
3 Social Security so the people paying the tax would be getting  
4 Social Security benefits, almost identical.

5 The Congressional Budget Office estimates that a 25 cent  
6 gas tax would reduce consumption of gasoline by 211 billion  
7 barrels a day in 1980.

8 So we have conservation. The price of gas is going up  
9 anyway. Nobody is going to stop it.

10 So here is an opportunity, since you -- I do not mean you,  
11 but the Committee has a responsibility to do something about  
12 Social Security and where is the money coming from? The 25  
13 cents a gallon, I think, will give you the money you need. My  
14 estimation is it is \$33 billion; Lloyd says it is \$25 billion.  
15 I am willing to take his figures, although there are those who  
16 say it will raise more.

17 It may be a way out.

18 The Chairman: We will see how well that general line of  
19 thinking makes out in the New Hampshire primary. Let's see how  
20 many votes Mr. Anderson gets up there.

21 Senator Roth: Mr. Chairman?

22 The Chairman: Yes.

23 Senator Roth: I would like the Committee to look at one  
24 possibility that, it seems to me, offers some hope. Under the  
25 decontrol, as I have pointed out several times, we have \$700

1 billion additional general revenue coming into the Federal  
2 Treasury. That is a real windfall for the Federal government.

3 I am a strong believer that the pensions ought to be paid  
4 out of contributions but I would respectfully request that the  
5 Committee, or that the Committee staff, look at the possibility  
6 of somehow merging the trust funds which each person  
7 contributes for the payment of the pensions and that the  
8 medical program, which really is an entitlement, be supported  
9 through the windfall, or this additional general revenue that  
10 has resulted from decontrol of oil.

11 I am not exactly certain how that would work out. We do  
12 have several hundreds of billions of dollars coming in by that  
13 route. I think, under the conference report, some of that  
14 money perhaps is being committed.

15 I would suggest that this might be one possibility. I am  
16 like Harry Byrd. I think it is basic that the Social Security  
17 pension program is the most important social program that we  
18 have, that it has to be financially stable.

19 I can think of no better purpose, no better use being made  
20 of these additional general revenues resulting from decontrol  
21 than to stabilize these funds.

22 As I said I would suggest that that be used for the health  
23 programs and that we look at the two trust funds and the  
24 possibility of merging them.

25 I would urge that be taken as an approach.

1 Senator Moynihan: Mr. Chairman?

2 The Chairman: Yes, sir.

3 Senator Moynihan: Mr. Chairman, I would hope that we did  
4 not too quickly go by Senator Ribicoff's proposal. It is a  
5 serious one and the outcome of the New Hampshire primary -- for  
6 that matter the outcome of the Canadian national elections --  
7 ought not to put us off what may be a responsibility which I  
8 happen to think is a responsibility.

9 I happen to think that.

10 Do I take it that we are going to get the Eckstein data  
11 next week? Is that it?

12 Senator Bentsen: We have the Eckstein data available now  
13 and we would be happy to present it to you.

14 Senator Moynihan: I was just told it is embargoed until  
15 February 28th.

16 Senator Bentsen: Then I have just been corrected.  
17 Apparently it is.

18 Senator Bradley: May I inquire, what is the Eckstein  
19 data?

20 Senator Bentsen: We had an econometric model. We had him  
21 run one through the DRI that isolated the supply side and which  
22 showed what would happen to productivity, how much it would cut  
23 inflation, how much it increased productivity, what it would do  
24 in the way of capital spending, and it had rather impressive  
25 results.

1       The first time that it has been isolated in the  
2 econometric model. I was not aware it was embargoed.

3       Senator Moynihan: May I make the point that we may want t  
4 make a shift in our tax arrangements? I think the argument for  
5 doing so should be presented -- we should present it to  
6 ourselves.

7       With great respect to the Senator from Delaware, we do  
8 not have a Social Security trust fund. I mean, if it pleases  
9 anybody to say that we do, fine. We do not. We pay for Social  
10 Security out of current revenue.

11       We have from time to time had as much as a twelve week's  
12 supply in the bank. That is not a trust fund. But we have got  
13 an economic near crisis. We do not have much serious debate  
14 taking place among the Presidential candidates, with one  
15 exception. I am curious about that.

16       The White House is seemingly not reacting. I think that  
17 we ought to take this moment, when no one else will do  
18 something, why do we not? I think we could very well consider  
19 a shift, a consumption tax, which is what a gas tax would be.  
20 Increase that. Work on decreasing the taxes on capital  
21 formation. Change the structure a bit, and possibly in that  
22 context, the economic flow, the cash flow, of the "trust fund"  
23 is probably all right.

24       I think we have five years. There is no trust fund.

25       As long as the income equals outgo, probably we are all



1 right, although maybe we are skating too thin. Certainly, to  
2 find that we are going to have a 50 percent increase in five  
3 years with no change in benefits suggests the power of the  
4 present rate of inflation and the projection is, once again, as  
5 I think this is Jack Danforth's table here. Is this your table  
6 here, Jack?

7 Are you responsible for getting it to us?

8 Senator Danforth: That is right. I am responsible for  
9 getting it, but it was passed out in the Social Security  
10 subcommittee yesterday.

11 Senator Moynihan: On page 19, the assumptions for  
12 1980-1985 in a sense replicate this table. It was bad last  
13 year, pretty bad this year, next year good and then better,  
14 better and better.

15 The Chairman: Gentlemen, it is now 11:15. I was in this  
16 room for 20 minutes waiting for a quorum to show up.

17 I would like to urge that we make some decisions that we  
18 came here to decide. Right now, we are on the spending part of  
19 it, are we not, Mr. Stern?

20 Mr. Stern: That is correct.

21 The Chairman: I would like to plead with the committee,  
22 let's keep our nose to the grindstone and just recommend to the  
23 Budget Committee on the spending end.

24 Do we have the taxing things further back here?

25 Mr. Stern: Yes, sir. It was our plan to get into the

1 whole area of taxation afterwards.

2 Of course, when you talk about Social Security, you do  
3 talk about Social Security taxation to some extent.

4 The Chairman: What the Senator is talking about is  
5 substituting one tax for another tax and I would plead with the  
6 Committee, let's see if we can go ahead and decide whether we  
7 are satisfied with these figures for this year. These longterm  
8 things, of course, are important and they are useful, but we  
9 are sort of in a position now with the batter being at bat with  
10 the balls in the air. You have no business saying anything  
11 about next year's ballclub when you either have to swing at the  
12 ball or you are going to be called out.

13 At the moment we have to say, what do you think about  
14 these figures for now, this fiscal year? I would hope that we  
15 could get this much decided. What are we going to do on this  
16 pending end?

17 Then if you want to bring this up on the taxing end, I am  
18 willing to vote on it, if everybody else wants to vote on it.

19 I would hope, at least, that we would pass judgment on  
20 these figures here. What do you think about it?

21 Generally speaking, I want to get down and find out how  
22 Senator Moynihan feels, for example, about that figure on  
23 welfare reform, for example. I think we ought to get to it.

24 Senator Danforth: Mr. Chairman, may I ask one question?

25 The Chairman: Yes.

1 Senator Danforth: What assumptions do you make for CPI?

2 Mr. Stern: The figures here assume an increase of 9.2  
3 percent in 1981. These budget assumptions are not really  
4 projections of what is likely to happen. They are kind of  
5 dictated by this Humphrey-Hawkins Act and they have to assume  
6 that out some time in the future they get down to that 4  
7 percent level.

8 So that every year, as Senator Moynihan said, you start  
9 out with the present gloomy situation and it gets better and  
10 better and better.

11 Senator Moynihan: Page 19, Jack, ends the self-imposed  
12 myth that the government, by law, is required to assume that  
13 inflation will be down 3 percent in the next five years.

14 Senator Danforth: The problem is -- I am not going to  
15 belabor it any more -- the problem is that we make decisions  
16 which get us into programs and sustain us in programs on the  
17 basis of economic assumptions which have no bearing at all on  
18 reality.

19 The Chairman: We have not made any decisions here this  
20 morning.

21 Senator Roth: May I take 30 seconds? I intend to offer  
22 this later when we get into the tax areas. I am not going to  
23 get into an argument about semantics, but I would like to have  
24 the staff make a study along the lines that I am proposing as  
25 to what relief would be possible through the use of the

1 additional general revenue resulting from decontrol?

2 As I say, I recognize certain commitments are being made  
3 under the windfall profits conference, but with your  
4 concurrence, I would ask that they look at that as a means of  
5 helping out.

6 And as I said, then, using the two trust funds for  
7 purposes of the pensions, would that be all right with you if  
8 the staff made a study of that?

9 Mr. Stern: We can have that information on what those  
10 revenues would be when you get into revenues.

11 Senator Roth: Yes, thank you.

12 Mr. Stern: If you want to move to page 24 and chart 5, we  
13 are assuming that for fiscal year 1981, at any rate, you would  
14 take the figures in the President's budget for present law for  
15 Social Security.

16 This chart 5 on page 24 deals with the general fund, or  
17 Federal fund, programs under Social Security and the major  
18 element there is the Supplemental Security Income program for  
19 the aged, blind and disabled.

20 The amounts for legislation in fiscal year 1981 that are  
21 included in the President's budget are \$17 million. The amount  
22 under pending legislation that actually has passed the Senate  
23 is \$41 million.

24 In either case, it does not even show up as \$.1 billion.  
25 I am on page 24.

1 Senator Moynihan: Where are those numbers?

2 Mr. Stern: The numbers themselves do not show on the  
3 chart because they do not round to \$.1 billion. The Budget  
4 Act, hopefully, keeps things at a more general level, but  
5 basically the staff recommendation is that the Finance  
6 Committee assume the numbers that the Senate has passed rather  
7 than the numbers in the President's budget.

8 That will be our recommendation as we go through here.  
9 The difference is fairly small.

10 As a general proposition, our suggestion is that the  
11 Finance Committee use the numbers associated with legislation  
12 actually passed by the Senate, or actually reported by the  
13 Committee.

14 Other than that, we would recommend accepting the numbers  
15 in present law as shown there.

16 Senator Moynihan: Mr. Chairman, I do not want to talk too  
17 much, but I am one of the two members of this Committee that  
18 goes to the Budget Committee, so I want to get this straight.

19 Your SSI increase is just an inflation increase, is that  
20 it? It does not seem to me to be enough.

21 Mr. Stern: That is already incorporated in the present  
22 law figure of \$6.9 billion. The amount is \$17 million there.  
23 The change is in the present budget. These are associated with  
24 some rather minor provisions that are in the legislation that  
25 the Senate has already passed.

1 For example, in putting limitations on disability  
2 insurance benefits, you will have some more people on SSI who  
3 would not have been on SSI otherwise. So cutting down on  
4 disability insurance benefits sometimes increases SSI. That is  
5 an example of something in here.

6 On page 28 --

7 Senator Heinz: Excuse me.

8 If I understand your question, Pat, you ask if this was  
9 realistic, the \$6.9 billion for '81, \$6.4 billion, was  
10 realistic in light of inflation?

11 Senator Moynihan: Yes.

12 Senator Heinz: I am not sure I understood your answer.

13 Mr. Stern: I thought what Senator Moynihan was saying was  
14 that an amount of \$17 million is not enough to take care of  
15 inflation.

16 Senator Heinz: Maybe I misunderstood the question.

17  
18 Senator Moynihan: I wondered why a half a billion was  
19 thought to be enough for SSI. It strikes me as not.

20 Mr. Stern: The cost of living increase that takes place  
21 in SSI does not cover the full fiscal year. So you are really  
22 only talking about three months worth. It goes from July  
23 through September.

24 The Chairman: Let's go on to the next thing.

25 Senator Moynihan: Explain that to me after.

Mr. Stern: I should correct that. It is a little more

1 complicated situation that there are a number of people who get  
2 both Social Security benefits and SSI benefits and when their  
3 Social Security benefits go up, that upsets SSI.

4 Senator Moynihan: All right.

5 Mr. Stern: On page 28, chart 6, here we are back in the  
6 Social Security trust fund programs again, and this is a list  
7 of the changes in the Social Security program that are  
8 recommended in the President's budget and in legislation that  
9 has been enacted.

10 If you look at the first column, fiscal year 1981, we have  
11 shown fiscal year 1985, so you can see the magnitude of some of  
12 the very substantial changes. The President's budget includes  
13 a couple of relatively small changes that wind up with a small  
14 net savings.

15 They also assume enactment of the savings in the House  
16 version of the disability bill rather than the Senate version.  
17 The House version savings were cut somewhat in the Finance  
18 Committee but with the adoption of the amendment on the  
19 terminally ill, the Senate bill actually turned into a bill  
20 that cost money in the first year, although it does save money  
21 in future years.

22 Our recommendation here would be that you adopt the costs  
23 associated with what the Senate has already passed rather than  
24 the amounts in the President's budget.

25 It may well be that in conference you wind up with more

1 savings than the Senate was willing to agree to. At this  
2 point, since you have not gone into conference yet, our  
3 suggestion would be to stick with the amounts that the  
4 Senate has already approved.

5 There is an additonal bill which has passed the House and  
6 is pending in the Finance Committee which relates to the  
7 retirement, or earnings limitation retirement test. In 1977,  
8 the Congress eliminated the monthly retirement test. There  
9 used to be two retirement tests, one related to the total  
10 amount earned in the year and one related to one-twelfth of  
11 that amount for each month that you did not have arnings of  
12 that much money.

13 That monthly test was eliminated, but it has had some  
14 effects that has caused the House, at least, to want to at  
15 least consider it. They have sent over a bill that costs about  
16 \$100 million to undo somewhat of what was done in 1977.

17 The President's budget does not make any allowance for  
18 that. This may very well be something you want to do.

19 The other matters that are shown on the page are actually  
20 tax matters. They do affect Social Security. We have included  
21 them just to show you the effect, since we are talking about  
22 the spending side now.

23 The staff recommendation would be to include an amount  
24 which is associated with the Senate-passed disability bill and  
25 to allow funds for acting on the monthly retirement test.



1 As we will see a little bit later, we think that, overall  
2 in the income security area, you can still stay within the  
3 total amount that is included in the President's budget for new  
4 legislation for that.

5 Anyway, tentatively that would be our suggestion.

6 Moving to page 38 and chart 7, this chart shows the  
7 welfare programs for families which includes Aid to Families  
8 with Dependent Children, child support, and the Work Incentive  
9 Program.

10 Here we have no suggestion for any change in the amounts  
11 shown under present law in the President's budget. Under  
12 proposed legislation, other than welfare reform, basically, the  
13 President assumes savings of about \$200 million and the Senate  
14 has already passed legislation in these two bills which would  
15 save about \$200 million in AFDC.

16 The Chairman: Which chart are you looking at now?

17 Mr. Stern: I am looking at chart 7, page 38.

18 The Chairman: Are we talking about -- let me get this  
19 straight. You start out here, children and welfare payments,  
20 \$6.3 billion. Now, is that what we are spending now?

21 Mr. Stern: The top part of the chart is present law.  
22 That is what you are spending under present law and we have no  
23 suggestion for changing those estimates.

24 The Chairman: The present estimate is \$6.9 billion and  
25 \$800 million for administration. The figures for the program

1 as a whole, it saves money on the Federal level. The Federal  
2 share of collections is more than the Federal share of  
3 administrative costs as a whole, including the state savings.  
4 The program, as a whole, saves much more.

5 It saves getting up near one-half billion dollars. Then  
6 there is a work incentive program under present law.

7 On the bottom half of the chart, the decisions that affect  
8 what you do in legislation -- leaving out welfare reform for  
9 the moment -- the President's budget assumes savings of about  
10 \$200 million and the Senate has already passed legislation to  
11 save about that amount, so those two more or less balance each  
12 other.

13 Senator Heinz: On that point, Mike, does the  
14 Senate-passed legislation deal entirely with what the President  
15 has proposed? I do not believe it does, does it?

16 He is talking about limiting the work expense deduction  
17 and child support changes. We have some of that in those two  
18 bills.

19 Mr. Stern: What the two bills do is not exactly the same  
20 as what the President does. However, you have achieved savings  
21 largely in the same areas. The earned income disregard is the  
22 major single item of savings in both the President's proposals  
23 and in the Senate bill.

24 Disallowing the income disregard when income is not timely  
25 reported. There, again, that is a fairly significant item

1 which the President has included and the Senate has. In some  
2 cases, the versions differ a little, but the Senate has acted  
3 in most of these areas.

4 Senator Heinz: This is a difficult question, but what  
5 areas of the President's proposal has the Senate not considered  
6 and acted on one way or the other as between 3236 and 3434 and  
7 those two proposals that the President has made?

8 I am trying to determine whether there is anything there  
9 that we have not considered.

10 Mr. Stern: There are some things the Senate has rejected,  
11 or at least the Finance Committee has rejected.

12 Senator Heinz: We considered them, but rejected them?

13 Mr. Stern: They have some things in the child support  
14 area that the Finance Committee did not want to do and you  
15 achieve your savings in somewhat different ways.

16 Senator Heinz: We really considered all those items and  
17 we have acted?

18 Mr. Stern: I think you could say that these are  
19 equivalent.

20 Senator Heinz: Thank you.

21 Mr. Stern: Of course, the administration has the position  
22 that they would push for in conference and would want to do  
23 things their way, which is a little bit different from the  
24 Senate. But I think you could say that you have acted in those  
25 areas already.

1 That leaves a large item of \$850 million that the  
2 President has included in the contingency amount for welfare  
3 reform.

4 My thought was that for the total amount for income  
5 security, if you include ---if you assume that you want to make  
6 allowance for everything that the Finance Committee has  
7 approved, or where the Senate has acted, or the Senate has  
8 approved, you will wind up being higher than the President's  
9 budget because you do not assume the same savings and the  
10 disability program.

11 You have a cost for trade adjustment assistance that the  
12 President's budget does not have and so forth. However,  
13 overall, the President's budget includes something like a half  
14 a billion for all the income security programs for new  
15 legislation, more or less. The cost of \$850 million in savings  
16 and \$300 odd million, you can simply take the position that  
17 that overall lump sum figure will accommodate what you are  
18 going to do in the income security area.

19 To the extent that you act on trade adjustment assistance,  
20 that would just leave us money for welfare reform, for example.

21 The Chairman: I think that you have to keep in mind,  
22 Senator Moynihan, that between now and the time that we act on  
23 welfare reform, if some of these other things go through that  
24 drain money out in these areas, if we do not put a tax on to  
25 pay for it that is going to reduce the amount that is in the

1 budget for welfare reform. You might want to be the watchdog  
2 on those items.

3 People come up with these ideas that cost more money. The  
4 question is how are we going to pay for it? Otherwise, you  
5 might find that you have a budget squeeze when you get welfare  
6 reform.

7 In other words, it looks like, in some of these areas,  
8 some of the things that we hope to do may have to be postponed  
9 for budgetary reasons or just because of the time lag in  
10 getting to some of these things.

11 From our point of view, that is the one big item where we  
12 have more money to work with in the area of welfare reform.

13 Senator Moynihan: I would not get carried away, Mr.  
14 Chairman. Out of \$300 million we have \$850 million. Why did  
15 you not round that up to \$900 million?

16 Mr. Stern: I guess I was taught, once upon a time, to  
17 round to the nearest even number.

18 Senator Moynihan: You always round up from 5 and down  
19 from 4.

20 Mr. Stern: When it is exactly 5, at one point in my life  
21 I was taught to round to the even numbers.

22 Senator Heinz: If you would yield, is there a page with  
23 this \$850 million or \$900 million on it that you are referring  
24 to?

25 Mr. Stern: On page 38, the second line from the bottom,

1 welfare reform shows 0.8.

2 Senator Heinz: Welfare reform. That is what you are  
3 talking about?

4 Mr. Stern: Yes, sir.

5 Senator Heinz: All right.

6 When you used the term a minute ago, "income security,"  
7 were you talking about welfare programs or everything we  
8 covered?

9 Mr. Stern: That includes everything we have covered so  
10 far.

11 Senator Heinz: Social security, SSI and the welfare  
12 programs.

13 Mr. Stern: Everything in maintenance payments to people.

14 Senator Heinz: Not Unemployment Compensation.

15 Mr. Stern: We have not gotten there yet, but it is  
16 included.

17 Senator Heinz: In your definition of income security?

18 Mr. Stern: It really is not my definition. It is the way  
19 that the budget categories work. The budget category called  
20 Income Security includes all these maintenance payments.

21 For the sake of completeness, you might want to turn to  
22 page 46, chart 9, which is the last item in the income security  
23 area and you can see on the bottom part of the page the  
24 President's budget includes no allowance at all for new  
25 legislation in the unemployment compensation area. It simply

1 has zero, either savings or expenditures.

2       What the Finance Committee has pointed out has been an  
3 increase in trade adjustment assistance that rounds to \$0.2  
4 million and in another bill you have provision to save money  
5 and also one provision that costs money, so overall you wind up  
6 costing about \$100 million.

7       If you take those two bills that are pending on the Senate  
8 calendar, they cost a little over \$100 million and that would  
9 be our recommendation for what to include.

10       I have been saying that perhaps a little bit loosely. in  
11 fact, you only have one overall number in the whole income  
12 security area. At least in making up this number for your own  
13 purposes, you are assuming you can accomodate everything the  
14 Senate has passed, or the Finance Committee has already pointed  
15 out.

16       There is another item on the very bottom of that page,  
17 another bill pending in the Finance Committee. It relates to  
18 state loans, and is actually a revenue item. We showed it here  
19 because it is an unemployment matter, but it will show up in  
20 what you do in the revenue area.

21       So that concludes everything in the income security area  
22 and the staff recommendation there is to include the overall  
23 number in the President's budget, a half a billion dollars,  
24 which is a net figure consisting of both savings and  
25 expenditures and figure whatever you do will fit within that.

1 That would make allowance for everything that the Senate  
2 Finance Committee has already done plus would allow about \$400  
3 million additional in the income security area.

4 The Chairman: Do you think we can live within those  
5 figures?

6 Senator Moynihan: No, Mr. Chairman, we cannot.

7 If we are going to have anything like any measure of  
8 welfare reform at all, we cannot go to the Budget Committee  
9 with an increase of only half a billion dollars. To do that  
10 says right now that we will not do anything again.

11 Senator Danforth: Mr. Chairman, it is my understanding  
12 that the administration bill, of which we are cosponsors, that  
13 it goes to \$3.2 billion in 1982 and that the initial costs of  
14 it are not very high.

15 Senator Moynihan: The fiscal '81 costs, you are  
16 estimating \$850 million.

17 Mr. Stern: \$850 million in the President's budget. The  
18 bill pending in the Finance Committee is \$912 million.

19 Senator Moynihan: That is why I asked about the \$900  
20 million.

21 Mr. Stern: I am sorry.

22 Senator Moynihan: If we do not have an extra billion  
23 dollars in income security we are making the decision right  
24 here and now that once again there will be no welfare reform.

25 Senator Danforth: For '81?



1 Senator Moynihan: Yes.

2 Senator Danforth: Why?

3 Senator Moynihan: Because not to have a billion extra in  
4 this is to insure that you have reached the point where people  
5 will say that the welfare legislation is a good idea but there  
6 is no room in the Budget Resolution for it.

7 The Chairman: That flies contrary to the imagination  
8 of Senators. We have had programs, for example, the social  
9 services program that we looked at a little further on. Here  
10 we are going for \$2.9 million in social services. That got  
11 started on a \$40 million estimate.

12 They said, this is a nice thing to do, \$40 million it was.  
13 Mike nodded. He recalls that.

14 That was the estimate we were given when we went into the  
15 social services program. A few years down the road it was  
16 costing about \$2.5 billion, projected to be \$4 billion in the  
17 following year. At the time, we finally managed to get a lid  
18 on it, a cap.

19 And when we came in with Medicaid, I recall that very  
20 well. I was the manager of the bill on that occasion and that  
21 was estimated to cost \$200 million. It did not stay in the  
22 \$200 million the first year. In about a year or so, it was  
23 costing over ten times the estimate, within two years.

24 From that small acorn we have a tree that is costing what,  
25 now?

1 Mr. Stern: \$15 billion a year.

2 The Chairman: To say that Senators cannot find ways to  
3 come in with programs, or administration people cannot find  
4 ways to come in with programs that have an early first-year  
5 cost, plus some fantastic spending possibilities after it has  
6 been in effect after a few years, is just to say that they do  
7 not know how trees grow.

8 When you plant the seed, if this is what you want to do,  
9 you do not need to start off with a big program. You can start  
10 out on a fairly small scale, provided it has the potential of  
11 expanding and growing, and there you go.

12 Senator Danforth: Mr. Chairman?

13 The Chairman: Yes, sir.

14 Senator Danforth: May I ask how much of the \$850 million  
15 is fiscal related?

16 Mr. Stern: The number \$850 million does not show up as a  
17 separate item in the President's budget. It is part of a  
18 contingency fund, so there is no break-out.

19 We will look it up and see how much in the House bill is  
20 in the form of fiscal relief.

21 Senator Bradley: What we are arguing about here is the  
22 difference between \$500 million and a billion in a request for  
23 a broad category to the Budget Committee. The \$500 million is  
24 probably under-estimated by \$50 million to \$100 million anyway  
25 because of the rounding down instead of rounding up, so that is

1 a \$400 million difference.

2       Assuming that we might not be able to make all of the cuts  
3 that you have enumerated to get the \$850 million down to \$500  
4 million, I think it argues just for flexibility for the  
5 committee to make the recommendation \$1 billion to the Budget  
6 Committee.

7       I mean, for example, the disability legislation we have  
8 according to this chart recommended that we will cut \$1.8  
9 billion. Is that right, that we will make cuts. Based on last  
10 year's experience, you do not always make those cuts.

11       The Chairman: What is the House figure in conference on  
12 disability?

13       Mr. Stern: In fiscal year 1981 it is a savings of \$.1  
14 billion.

15       The Chairman: \$.1 billion. \$100 million?

16       Mr. Stern: In the first year, that is correct.

17       The Chairman: All right.

18       What is our figure on it?

19       Mr. Stern: That it would cost \$100 million.

20       The Chairman: Plus \$100 million. So that in the first  
21 year there is not much difference one way or the other, but if  
22 we are going by the assumption of the Senate committee,  
23 assuming that you break even, then you are \$100 million closer  
24 to your target.

25       Mr. Stern: If you compare the amounts in the President's

1 budget for new legislation to what the Senate Finance Committee  
2 has approved, the Senate and the Finance Committee are about  
3 \$500 million higher than the President's budget.

4 If you really legislated completely that way, that would  
5 reduce the amount available for welfare reform from \$850  
6 million to \$400 million roughly.

7 Senator Bradley: I am speaking as one person. I think  
8 the \$850 million figure is a figure that I would like to see  
9 that we at least address, whatever the formula of the welfare  
10 change, whatever the formula of the reform. The number is  
11 critical.

12 Senator Moynihan: May I add, Mr. Chairman, to ask Mr.  
13 Stern what will be our total request for income security?

14 Mr. Stern: Since it shows in tens of millions, 0.5.

15 Senator Moynihan: The total request for this function in  
16 the budget.

17 Mr. Stern: We show separately new legislation, existing  
18 legislation.

19 Senator Moynihan: What does it all come up to now?

20 Mr. Stern: We will add the amounts together.

21 Senator Moynihan: We come under one function. Remember  
22 this.

23 Mr. Stern: That is correct.

24 Senator Moynihan: It would come to about \$200 billion. I  
25 should know that. I am just being vague.

1 Mr. Stern: About \$175 billion.

2 Senator Moynihan: \$175 billion.

3 The Chairman: \$175 billion?

4 Mr. Stern: That is Social Security, unemployment, AFDC,  
5 SSI.

6 Senator Moynihan: That is right.

7 I think if I may say so, Mr. Chairman, we were cut very  
8 sharply and we are going to be cut again this year. I do not  
9 want to see us get into a pattern of inflating our requests  
10 because we know we are going to be cut. But I think that it  
11 would be wrong not to provide in our calculation a rounded out  
12 \$1 billion for welfare reform.

13 Absent that, we might as well -- we have made the decision  
14 there is not going to be any this year. We made the budget  
15 decision that the budget committee will come back to us so hard  
16 we will not be able to do it anyway.

17 The Chairman: I do not see that.

18 There are a couple of things that occur to me. One of  
19 them is I have not lost hope that we will make some savings in  
20 some of these areas. When you have a bill that spends more  
21 money, you ought to be able to put something on there to  
22 economize it in some of the areas where you are spending a  
23 great deal of money.

24 Furthermore, you do not need to start out on a very high  
25 level. You can start out with any program. You can start out

1 on a modest basis and have it grow bigger in the following  
2 year.

3 I do not see anybody is going to approve a lot in the  
4 welfare reform area between now and the next election. Whoever  
5 wins the next election can come in advocating an expansion of  
6 welfare or advocate a careful and limited spending of what we  
7 have available.

8 I have some doubt about the idea of going in and asking  
9 for another billion in the budget when you have \$850 million  
10 here. That is what the President is recomomending basically --  
11 or is he going above it?

12 Mr. Stern: The President has included \$850 million.

13 Senator Moynihan, are you suggesting \$1 billion instead of  
14 \$850 million, or \$1 billion as the income security figure for  
15 the Finance Committee?

16 Senator Moynihan: I think we should increase the income  
17 security figure by \$1 billion over the President's budget.

18 Mr. Chairman, may I just observe? I will not bore you --  
19 I am boring you, in effect, already.

20 The well-known subject of welfare constitutes 3 percent of  
21 our income security request. I mean, it is 90 percent of our  
22 discussion, but 3 percent of the money that women and children  
23 get, \$6.9 billion out of \$175 billion. It is not going up. It  
24 is going down.

25 These benefits are not indexed. I grow weary of making

1 the case in the 1970s the welfare benefits in the United  
2 States have gone down in real value. Nothing else has gone  
3 down in real value.

4 So there you are. That is all I have to say.

5 How much more can you take out of 3 percent of your  
6 activities?

7 Senator Ribicoff: Senator Moynihan, you will have to have  
8 a very stout heart. You will have this fight year in and year  
9 out. I hope some day you will make it.

10 It is a perennial whipping boy for everybody else in every  
11 segment of society and it is part of the overhead for society's  
12 failures and it has a guilty conscience. You can be the  
13 hairshirt. Good luck to you.

14 Senator Moynihan: Thank you.

15 Senator Byrd: Mr. Chairman, I would like to support  
16 Senator Long's position.

17 The Chairman; I have not taken a position right now. Why  
18 do I not step out and take one?

19 Senator Byrd: It seems to me when we talk about welfare  
20 reform that the average American feels by welfare reform that  
21 means that it is going to cost less rather than cost more. The  
22 assumption around the table is that welfare reform costs more  
23 and not less.

24 The Chairman: Actually, some of us feel in these social  
25 welfare areas, without employment insurance, disability and

1 even with the welfare part of it, we ought to be able to get a  
2 better run for our money and do more good for the people we are  
3 trying to help -- Food Stamps is another one. We do not have  
4 jurisdiction over that, but we ought to be able to do more good  
5 for people with that amount of money than we are doing.

6 But the question really is do we want to ask for another  
7 billion dollars on the welfare item for this year?

8 Senator Moynihan: This would be for the whole of income  
9 maintenance. I repeat that we are talking about the subject of  
10 3 percent. You cannot cut this down much further, Senator  
11 Byrd. Each year we find another way to squeeze the women and  
12 children a little more. They are down to 3 percent of the  
13 total.

14 The proposals for the increases would increase -- you ask  
15 about fiscal relief. There is no fiscal relief in the  
16 President's bill at all. It would raise the level of benefits  
17 for women and children in 13 states where they are very low.  
18 That is what the Presidents bill would do ---not mine, not Bill  
19 Bradley's, not Abe Ribicoff's.

20 The Chairman: Why do we not call the roll on it?

21 Mr. Stern: To make sure I understand this, the proposal  
22 of Senator Moynihan is to include \$1 billion for new  
23 legislation for income security which would be roughly maybe  
24 \$500 million more.

25 Senator Bradley: Than it is presently?



1 Senator Moynihan: Round the figure to \$1 billion instead  
2 of down to half.

3 The Chairman: Wait a minute. You are not taking about a  
4 \$1 billion add-on. You are talking about moving the figure to  
5 \$1 billion.

6 Mr. Stern: A half a billion more than the President's  
7 budget.

8 The Chairman: \$500 million more.

9 Mr. Stern: Mr. Talmadge?

10 (No response)

11 Mr. Stern: Mr. Ribicoff?

12 Senator Ribicoff: Aye.

13 Mr. Stern: Mr. Byrd?

14 Senator Byrd: No.

15 Mr. Stern: Mr. Nelson?

16 (No response)

17 Mr. Stern: Mr. Gravel?

18 (No response)

19 Mr. Stern: Mr. Bentsen?

20 (No response)

21 Mr. Stern: Mr. Moynihan?

22 Senator Moynihan: Aye.

23 Mr. Stern: Mr. Baucus?

24 Senator Baucus: Aye.

25 Mr. Stern: Mr. Boren?

1 (No response)  
2 Mr. Stern: Mr. Bradley?  
3 Senator Bradley: Aye.  
4 Mr. Stern: Mr. Dole?  
5 (No response)  
6 Mr. Stern: Mr. Packwood?  
7 (No response)  
8 Mr. Stern: Mr. Roth?  
9 (No response)  
10 Mr. Stern: Mr. Danforth?  
11 Senator Danforth: No.  
12 Mr. Stern: Mr. Chafee?  
13 Senator Chafee: No.  
14 Mr. Stern: Mr. Heinz?  
15 (No response)  
16 Mr. Stern: Mr. Wallop?  
17 (No response)  
18 Mr. Stern: Mr. Durenberger?  
19 Senator Durenberger: No.  
20 Mr. Stern: Mr. Chairman?  
21 The Chairman: Aye.  
22 (Pause)  
23 Five eyes, four nays. There are so many absentees here  
24 that I think we ought to let all the absentees record  
25 themselves.

1 Senator Chafee: Mr. Chairman?

2 The Chairman: Yes.

3 Senator Chafee: I voted no on that because it seems to me  
4 inappropriate to take it up at this time when we have not gone  
5 through the balance of the items and have a better picture of  
6 where we are going to stand on the whole matter.

7 Senator Bradley: We have been through all the income  
8 security.

9 Senator Chafee: We have a whole series of other matters  
10 that we are going to take up.

11 The Chairman: Everyone should have the right, if he wants  
12 to, to change his vote, if you would like to.

13 Senator Chafee: I am not going to change my vote now, I  
14 just wanted to make an explanation.

15 Senator Moyhnihan: May I say I did not want to let it go  
16 by as if we had agreed. We can reopen it at any time.

17 The Chairman: Let's go to the next item.

18 Mr. Stern: All right.

19 The next category --

20 The Chairman: Frankly, my decision to vote with the  
21 Senator is based largely on the fact that it is easier to come  
22 down than to go up on the item. The budget does in committee,  
23 reducing those figures you ask for -- they will fight you when  
24 you try to raise them.

25 Senator Danforth: Mr. Chairman, for thirty seconds, I

1 I would like to make a point. I am all for welfare reform. I am  
2 a cosponsor, coauthor of it.

3 The administration has finally come around to the position  
4 I took on welfare reform a year ago but my concern, again, is  
5 with an 18 percent inflation rate it seems to me that before we  
6 start embarking on all of these programs on a piecemeal basis,  
7 whether it is welfare reform, whether it is catastrophic health  
8 insurance or whatever else we are going to do, we should have  
9 some way of gathering up all of the proposals on one piece of  
10 paper and having some people who know something about economics  
11 telling us what the effect is going to be on inflation and what  
12 effect inflation is going to be down the road on the cost of  
13 these programs.

14 The Chairman: When we get on welfare reform, we will have  
15 an opportunity to discuss that.

16 I look forward to it. We will have some fun.

17 Senator Byrd and I think the way to reform welfare is to  
18 pay people to do something rather than pay them to not to go to  
19 work. We will have plenty of time to discuss it when we get to  
20 it.

21 What is the next item?

22 Mr. Stern: The next item, on page 42, chart 8, is the  
23 category of social services. Here you have a basic grant  
24 program under Title XX of the Social Security Act for \$2.5  
25 billion as the permanent level with a permanent increase

1 suggested in the President's budget of \$400 million. In other  
2 words, they would raise it to a permanent level of \$2.9  
3 billion.

4 The Senate did it a little bit differently with a rising  
5 level for fiscal year 1981. The Senate bill would be \$2.9  
6 billion. There is no difference, really, between the  
7 President's budget and what the Senate has approved there.

8 Similarly, the increase in child welfare services in the  
9 President's budget was the same as what the Senate has  
10 approved.

11 So in the social services area, we would suggest just  
12 staying with the same amounts that had been passed by the  
13 Senate, which are really very close to what the President has  
14 included in his budget.

15 Senator Byrd: Mr. Chairman, as I understand it, this  
16 proposal would provide for a permanent increase in the \$2.5  
17 ceiling.

18 Mr. Stern: That is correct.

19 Senator Byrd: The ceiling is now \$2.5 billion.

20 Mr. Stern: The permanent ceiling is now \$2.5 billion.

21 Senator Byrd: This would provide for a permanent increase  
22 of \$400 million.

23 Mr. Stern: That is the President's proposal. The  
24 Senate's proposal was that it would go up to \$2.9 billion in  
25 fiscal year 1981 and further afterwards. That will be up to

1 the conferees to decide what they are going to do on it, but  
2 for fiscal year 1981, there is no difference between the  
3 President's budget and the Senate position.

4 Senator Byrd: I do not know how to phrase the motion, but  
5 I would like to move to reject the increase above the \$2.5  
6 billion which is now the ceiling.

7 Mr. Stern: In other words, the suggestion is not to  
8 include the \$400 million in the recommendation to the Budget  
9 Committee for fiscal year 1981?

10 Senator Byrd: Right.

11 Senator Bradley: Is that a part of the Senate bill now?

12 Mr. Stern: That is correct.

13 Senator Bradley: No difference between the President's  
14 proposal and the present Senate bill?

15 Mr. Stern: Not for 1981.

16 Senator Bradley: 1981.

17 Senator Byrd is moving to reject the Senate's position by  
18 reducing it \$400 million?

19 Mr. Stern: He is suggesting \$400 million less for fiscal  
20 year 1981 for new legislation.

21 The Chairman: Call the roll.

22 Mr. Stern: Mr. Talmadge?

23 (No response)

24 Mr. Stern: Mr. Ribicoff?

25 (No response)

1 Mr. Stern: Mr. Byrd?  
2 Senator Byrd: Aye.  
3 Mr. Stern: Mr. Nelson?  
4 (No response)  
5 Mr. Stern: Mr. Gravel?  
6 (No response)  
7 Mr. Stern: Mr. Bentsen?  
8 (No response)  
9 Mr. Stern: Mr. Matsunaga?  
10 (No response)  
11 Mr. Stern: Mr. Moynihan?  
12 Senator Moynihan: No.  
13 Mr. Stern: Mr. Baucus?  
14 Senator Baucus: No.  
15 Mr. Stern: Mr. Boren?  
16 (No response)  
17 Mr. Stern: Mr. Bradley?  
18 Senator Bradley: No.  
19 Mr. Stern: Mr. Dole?  
20 Senator Dole: No, and also no on the last vote.  
21 Mr. Stern: Mr. Packwood?  
22 (No response)  
23 Mr. Stern: Mr. Roth?  
24 (No response)  
25 Mr. Stern: Mr. Danforth?

1 (No response)

2 Mr. Stern: Mr. Chafee?

3 Senator Chafee: No.

4 Mr. Stern: Mr. Heinz?

5 Senator Heinz: No, if I understand the issue.

6 Mr. Stern: Mr. Wallop?

7 (No response)

8 Mr. Stern: Mr. Durenberger?

9 Senator Durenberger: No.

10 Mr. Stern: Mr. Chairman?

11 The Chairman: No.

12 Mr. Stern: Mr. Ribicoff?

13 Senator Ribicoff: No.

14 Mr. Stern: Mr. Danforth?

15 Senator Danforth: No.

16 The Chairman: If there is no other motion to the  
17 contrary, I would assume that we will abide by the basic  
18 assumptions involved in this social services item, assuming  
19 that motion did not carry.

20 Senator Moynihan: Mr. Chairman, may I simply make the  
21 point that, you know, nobody is trying to swell the programs  
22 here. Given the inflation rate that we are dealing with to  
23 keep the program such as social services level is to reduce it.

24 This is not a budget in which there are no increases.  
25 There are about \$60 billion increased. Not a penny increase



1 here.

2 I do not know if that is any consolation to anybody.

3 Mr. Stern: Mr. Chairman, that takes us to the next  
4 category, which is the health programs.

5 Senator Bradley: Before we leave that, could I ask staff  
6 a question, Mr. Chairman?

7 In the section, Child Welfare Services, in the conference  
8 committee's action there was provision for advance funding of  
9 child welfare services. Is the \$100 million that you have in  
10 the print include advanced funding for '82?

11 Mr. Stern: The outlays occur whether there is advance  
12 funding or not and the assumption in the Senate bill is that  
13 there is advanced funding beginning for fiscal year 1981 that  
14 would remain to be seen how that could be worked out in  
15 conference, whether you would have two years of appropriations  
16 in fiscal year 1980 or whether you would, because of the  
17 passage of time, do that in 1981.

18 There would have to be one year where you would have  
19 budget authority for two years, the current year and the  
20 following year and then forever after you would be advanced  
21 funded one full year.

22 Senator Bradley: As I understood it, the purpose of these  
23 monies was to try to encourage the states to develop adoption  
24 subsidy programs and get away from the foster care.

25 Mr. Stern: That is correct.

1 Senator Bradley: If that is the intent, would it be good  
2 to get it out as soon as possible and assure the funding would  
3 be there for subsequent years?

4 Mr. Stern: There were two factors in the Committee  
5 decision which was adopted by the Senate. One was budgetary,  
6 to put off for one year beyond the budget year the increased  
7 outlays. The other one was to give a degree of certainty that  
8 people would actually know in advance how much they would have  
9 available for the year.

10 Senator Bradley: How would it break down between '81 and  
11 '82?

12 Mr. Stern: Well, the Senate bill assumed that you would  
13 have advanced funding beginning for fiscal year 1981. I do not  
14 know whether that is still possible with the passage of time.  
15 It may have to be put off a year, if that is the position that  
16 is adopted.

17 The additional money under the Senate bill was first  
18 available in fiscal year 1981.

19 Senator Heinz: Mr. Chairman?

20 The Chairman: How much of this do you hope to get decided  
21 by the Committee today? What kind of schedule do you have?

22 Mr. Stern: The schedule allows for three days of  
23 consideration. If you get through the expenditure items by the  
24 middle of tomorrow, you would be doing pretty well. You do not  
25 necessarily have to finish today.

1 If you want to go over until tomorrow, there are not very  
2 many items left on the spending side -- health and revenue  
3 sharing.

4 Basically, if you wanted to, you could break now.

5 The Chairman: Senator Dole and I need to be somewhere  
6 else at this time. If it all right --

7 Mr. Stern: I think you are doing okay, Mr. Chairman. You  
8 are doing pretty well.

9 Senator Heinz: Mr. Chairman, before we leave this one,  
10 may I ask one quick question of Mike Stern?

11 As I understand the social services, Chart A, fiscal 1980,  
12 we expect that the dollars will be \$2.9 billion. Under the  
13 assumptions that we are adopting for fiscal '81, they will be  
14 \$3.2 billion.

15 Therefore, there is an increase of \$300 million? Is that  
16 right?

17 Mr. Stern: No, sir. The expectation -- all you add  
18 together is the \$2.5 billion basic program and the \$0.4 billion  
19 increase in the Title XX ceiling. That makes \$2.9 billion.

20 Senator Heinz: For 1980?

21 Mr. Stern: For 1981.

22 Senator Heinz: All right.

23 Mr. Stern: For 1980, there was \$2.5 billion in permanent  
24 law. The Senate passed \$0.2 billion, but you actually included  
25 in your allocation report an assumption that in conference you

1 would agree to \$2.9 billion.

2 Senator Moynihan: The House was \$3.1, Jack.

3 Mr. Stern, may I ask for the record, what was the fiscal  
4 1979 provision for Title XX?

5 Mr. Stern: That was \$2.9 billion also.

6 Senator Moynihan: \$2.9 billion.

7 What is it for 1980, we hope?

8 Mr. Stern: \$2.9 billion.

9 Senator Moynihan: What are we asking for 1981?

10 Mr. Stern: \$2.9 billion.

11 Senator Moynihan: Does that not in sum correspond to a  
12 reduction in real value of roughly a quarter, in round terms?

13 Mr. Stern: I guess that is right.

14 Senator Moynihan: Yes.

15 This Congress is spending more money, but is not spending  
16 more money on children. We have frozen these funds.

17 There was a great explosion in expenditures but that has  
18 not taken place in this Congress.

19 I do not know why people who like that do not take little  
20 pleasure in it. That was meant to be a joke, Mr. Stern.

21 Mr. Stern: I cannot afford to smile.

22 Senator Moynihan: You cannot afford to smile at the  
23 prospect of what is happening to children? Good for you, Mike  
24 Stern.

25 Mr. Stern: I guess this session will resume at 10:00

1 tomorrow morning.

2 Senator Byrd: Does that complete the expenditure part?

3 Mr. Stern: There remains the health and revenue sharing  
4 which you can take up tomorrow morning.

5 Senator Byrd: I would like to get before we adjourn I  
6 would like to get several figures from you.

7 The Committee will come to order.

8 On page 18, table 4, I would like to get the 1980 figures  
9 on the Social Security. The income/outgo.

10 Senator Moynihan: Could we have order, Mr. Chairman?

11 Senator Byrd: The Committee will come to order.

12 If we could get the corresponding figures for 1980.

13 Mr. Stern: Yes, sir.

14 Mr. Humphreys: For fiscal 1980 the income was \$116.9.

15 The outgo was \$119.4. The deficit was \$2.5 billion from the  
16 fund at the end of the year, \$30.9 billion.

17 Senator Byrd: What is that now?

18 Mr. Humphreys: That is a different figure than is here.

19 I do not have the percentage.

20 29 percent would be the start of year assets.

21 Senator Byrd: The start of the year assets go from 30  
22 percent in 1980 to 22 percent to 15 percent to 11 percent to 8  
23 percent to 6 percent, or putting it in terms of months, it goes  
24 from about three and a half months to less than three months  
25 down to slightly over one month in 1982.

1 Mr. Stern: By the beginning of fiscal year 1984, you are  
2 already a little bit less than one month.

3 Again, as Senator Moynihan pointed out, this is based on  
4 economic assumptions that are not really projections, but how  
5 you get from here to a 4 percent level.

6 Senator Byrd: They are not realistic figures, is what  
7 Senator Moynihan is saying.

8 Senator Moynihan: If I may ask the Chairman if he  
9 followed that point, it is going to come up. It is something  
10 that we on the Budget Committee should understand, if even  
11 nobody else in this country understands. The Humphrey-Hawkins  
12 Act requires the President to get down to 4 percent  
13 unemployment and 3 percent inflation. Therefore, the  
14 President, by law, may not present you a set of economic  
15 projections that does not get there pretty soon.

16 Senator Byrd: Does that make much sense?

17 Senator Moynihan: I do not think it makes much sense, Mr.  
18 Chairman, no. But perhaps I should just not comment on that,  
19 like Mr. Stern.

20 By law, things are just going to be great in about six  
21 years time. They certainly do not represent a professional  
22 economist's judgment, you know?

23 This is something he has got to do. So we are always  
24 going to be run around with these odd figures that show  
25 happiness.

1 Senator Byrd: Am I correct in interpreting the Senator  
2 from New York that the figures that we have here on page 13,  
3 that they are overly optimistic and not realistic?

4 Senator Moynihan: Yes. They are the official optimism  
5 that is reflected on page 19.

6 Senator Byrd: The official optimism required by the  
7 Humphrey-Hawkins Act?

8 Senator Moynihan: Yes. I do not know how else to  
9 describe it.

10 Senator Byrd: That is a very important point. Thank you.  
11 The Committee stands in adjournment.

12 (Thereupon, at 12:10 p.m. the Committee recessed, to  
13 reconvene at 10:00 a.m. on Wednesday, February 27, 1980.)

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