



109th Congress

Delivering on Economic Security



July Fourth '05 / State Work Period

<http://src.senate.gov>

SENATE REPUBLICAN CONFERENCE

Rick Santorum, Chairman

Kay Bailey Hutchison, Vice Chairman

<http://gop.senate.gov>



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109th Congress

June 30, 2005

Dear Colleague,

As you return to your home state over this Independence Day work period, we hope this recess packet will assist your efforts to communicate to your constituents the concrete ways that Senate Republicans are delivering results for the American people. Republicans have an agenda and are making progress on issues that matter in people's everyday lives.

We are passing legislation that delivers new jobs and improves economic security for Americans. The most recent example is the Senate passage of historic bipartisan energy legislation, which will create jobs and strengthen the economy, while encouraging renewable energy and responsible conservation.

Senate passage of The Energy Policy Act of 2005 is one step closer to meeting the request made by President Bush to sign a bill by August 1. The bill will save two million American jobs over the next decade and create tangible savings for Americans on oil and gas consumption. It will also conserve and produce more energy, while diversifying our energy supply by utilizing the latest technology to deliver energy to the American people.

Our nation's economy continues to show strong gains each month. In May, 78,000 new jobs were created, totaling over 3.5 million jobs created over the past 24 months. Unemployment declined to 5.1%, its lowest since September 2001. Passing important legislation such as the transportation bill and CAFTA and reforming our legal liability system will continue these jobs gains and further strengthen the economy for hard-working Americans.

We are asking Senate Republicans to participate in two events over the recess: an energy event, applauding passage of the bill and how it will benefit your home state; and a jobs and economy event to take place in conjunction with the June jobs numbers that will be released by the Department of Labor on Friday, July 8.

Enclosed you will find information detailing our accomplishments and future agenda items. Please make use of this information as you interact with your constituents and spread our message that Republicans are doing the people's business and are working to move the agenda forward for all Americans.

Thank you.

Handwritten signature of Rick Santorum in blue ink.

Rick Santorum, Chairman

Handwritten signature of Kay Bailey Hutchison in blue ink.

Kay Bailey Hutchison, Vice-Chair



Senate Republican Conference Agenda

**Republicans are Committed to Providing:
Personal Security, Economic Freedom, and Opportunity
and Compassion for every American.**

Save and strengthen Social Security

Republicans will save and strengthen Social Security by protecting promised benefits for today's seniors and those nearing retirement while offering younger workers increased financial security through a voluntary personal retirement account - a nest egg they can call their own and pass on to their children.

It's your money

Republicans believe simpler, fairer and lower taxes will promote job creation.

Leadership in the war on terror to best defend America

American security is dependent on combating terrorism, promoting democracy worldwide and supporting a well-trained and well-equipped military and their families.

Deliver accessible, affordable and quality health care for all Americans

Republicans will ensure that patients have access to quality and more affordable health care while lowering the cost of health insurance, offering more choices for services and increasing coverage for the uninsured.

Stop abusive lawsuits now

Republicans will end personal-injury lawyers' frivolous lawsuits to save jobs and ensure fair compensation for true victims.

Fight poverty by empowering families in need

Republicans will alleviate poverty and strengthen families first by encouraging an ownership society, providing work opportunities and partnering with faith-based groups, community charities and businesses.

Promote good 21st century American jobs

Republicans will create an environment to grow jobs by less taxation and litigation, sensible regulation, greater research and development, quality education and strong infrastructure.

Lifelong learning for better jobs

Republicans will develop a lifelong approach to education, training and research that prepares all Americans for jobs of the future, promotes access to college and ensures accountability of federal dollars.

Clean energy for jobs and energy independence

Republicans are committed to innovative new technologies to develop America's energy resources that create jobs and reduce our dependence on foreign oil and gas while preserving the environment.

Cut wasteful spending and keep taxes low to create jobs

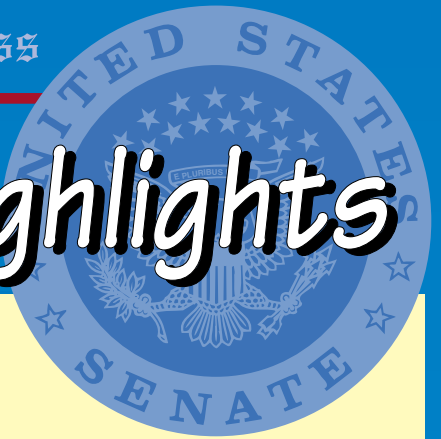
Republicans pledge to create jobs through responsible spending, deficit reduction and lower taxes.

Confirm fair judges through a fair process

Republicans will confirm judges who will follow the law - not make the law - by ensuring timely up-or-down votes for all nominees on the Senate floor.

Protect marriage for the good of families, children and society

Republicans will protect marriage - a core social institution - from redefinition by activist judges.



Achievements/Highlights

- CAFTA
- Energy Bill
- Budget
- Supplemental
- Bankruptcy Reform
- Class Action Lawsuit Reform
- Highway Bill
- Judicial Nominations
- Appropriations

Up Next/Highlights...

- Appropriations
- Asbestos Lawsuit Reform
- Social Security Reform



Energy

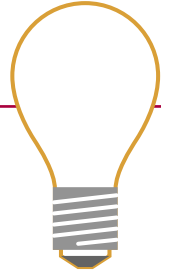


Delivering Jobs & Economic Security to Americans

Senate Republicans are delivering jobs and economic security to Americans through a jobs creation and retention agenda.

Highlights of the Bipartisan Energy Bill

The bipartisan Senate energy bill contains the following key provisions to increase production, increase conservation, diversify fuel supply and employ new technologies:



- ◆ An ethanol mandate requiring fuel manufacturers to use 8 billion gallons of ethanol in gasoline by 2012.
- ◆ A strong federal program to design and deploy clean coal technologies so America can continue to use its 250-year supply of coal while protecting our air and water.
- ◆ An ambitious efficiency and conservation program that sets first-time efficiency standards for 14 large appliances and raises the efficiency standards for others.
- ◆ Provisions to encourage the expansion and modernization of the electricity grid as well as new federal reliability rules designed to prevent future blackouts.
- ◆ A hydrogen research program in conjunction with federal labs, universities and auto manufacturers to design hydrogen cars.
- ◆ A fuel-savings provision requiring the federal government devise a plan to save 1 million barrels of oil a day by 2015.
- ◆ A federal renewable portfolio standards provision that requires electric suppliers to acquire 10% of their supplies from renewable resources such wind, solar, geothermal, biomass or ocean by 2020.
- ◆ A federal loan guarantee program to encourage the design and deployment of innovative technologies such as coal gasification and advanced nuclear power plants aimed at diversifying and increasing energy supply while protecting the environment.
- ◆ A Sense of the Senate that Congress should enact a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases that slow, stop and reverse the growth of such emissions.
- ◆ A Climate Technology program that directs the Secretary of Energy to lead an inter-agency process to develop and implement a national climate technology strategy. This provision also establishes an executive branch Climate Coordinating Committee and Climate Credit Board to assess, approve and fund these projects. Using greenhouse gas intensity as a measure of success, the bill creates incentives for innovative technologies and encourages partnership with other developing nations.

- ◆ Provisions to streamlining of oil and gas development on existing federal lease sites to bring the fuels to market sooner.
- ◆ An inventory of oil and gas resources on the Outer Continental Shelf that to enable to the federal government to better manage these resources.
- ◆ Instructions to the federal government to look for ways to improve Corporate Automobile Fuel Efficiency standards while taking into consideration the impact on automobile safety, jobs and the economy.

The bill complements provisions in the authorizing package with tax incentives that further encourage production, conservation and the use of technology to stabilize energy prices and protect our environment. The tax incentives include:

- ◆ Tax incentives to increase the production of electricity from new advanced nuclear power plants, a critical step in addressing climate change concerns.
- ◆ Tax incentives program to encourage the construction of clean coal facilities, including a new 20 percent investment tax credit for clean coal facilities and a new 20 percent investment tax credit for coal gasification units that produce fuels and chemicals.
- ◆ A provision aimed at stabilizing gasoline prices by encouraging expanded refinery capacity. Refinery owners get to immediately depreciate refinery expenses when those expenses increase overall capacity by 5 percent or throughput capacity of qualified fuels by 25 percent.
- ◆ An investment tax credit for metallurgical coke facilities (coke is a coal residue) that meet certain emission limitations to better protect the environment.
- ◆ Expansion of an existing business solar investment tax credit from the current 10 percent to 30 percent for the purchase of solar equipment.
- ◆ A tax deduction equaling the cost of energy efficient equipment installed if the equipment reduces the energy and power consumption of a commercial building by 50 percent.
- ◆ Tax credits for the contractors of new energy efficient homes if the homes achieve an energy savings of 30 percent or more over the 2003 International Energy Conservation Code.
- ◆ Tax deductions for the purchase of water heaters, heat pumps, air conditions, furnaces and other equipment that achieve certain efficiency levels when purchased for businesses or residential rental properties. This becomes a tax credit when purchase for residential use.
- ◆ A new tax credit for home owners who purchase certain energy-efficient dishwashers, clothes washers and refrigerators.
- ◆ 30 percent tax credit for the purchase of solar, photovoltaic and fuel cell properties for use in residences.
- ◆ Tax incentives to expand the production of energy from wind, refined coal, fuel cells, hydropower, geothermal and biomass sources.

- ◆ New clean energy bonds for the construction of renewable source electric facilities by governments, electricity cooperatives and tribes who can't use the tax incentives cited above because they are not taxed.
- ◆ Expanded tax credits for those who buy alternative fuel vehicles which includes an expansion of the range of the range of hybrid and clean vehicles that qualify for the alternative motor vehicle tax credit. Next to the renewable energy tax credit, this is the most generous tax credit in the bill. The value of the tax credit ranges from \$2,000 for smaller, personal cars to \$40,000 for the purchase of buses, etc.

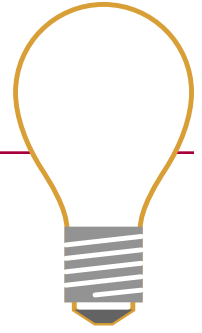
How The Energy Bill Makes a Difference:

- ◆ Passage of the energy bill will save nearly 2 million American jobs over the next decade -- the National Manufacturing Association
- ◆ Efficiency provisions in the bill will shave between 10 and 40 percent off the anticipated growth of energy demand by 2015 – the Alliance to Save Energy
- ◆ These provisions will save 50,000 MW of peak electricity demand by 2020 (the equivalent of 170 300-MW power plants) – the American Council for an Energy Efficient Economy
- ◆ Efficiency and conservation tax credits encourage the construction of energy-efficient offices and homes, the purchase of energy efficient heating and cooling systems and appliances and the purchase of alternative fuel vehicles.
- ◆ The ethanol mandate:
 - Reduces crude oil imports by 2 billion barrels and reduce the outflow of dollars largely to foreign oil producers by \$64 billion;
 - Create 234,840 new jobs in all sectors of the U.S. economy;
 - Increase U.S. household income by \$43 billion;
 - Add \$200 billion to GDP between 2005-2012;
 - Create \$6 billion in new investment in renewable fuel production facilities; and
 - Result in the spending of \$70 billion on goods and services required to produce 8 billion gallons of ethanol and biodiesel by 2012.

Source: Senate Committee on Energy and Natural Resources, Sen. Pete Domenici, Chairman

Source: The American Farm Bureau

The President Calls On Congress To Pass A National Energy Policy



Recently, President Bush Delivered Remarks In Washington, D.C., On His National Energy Policy. President Bush entered office four years ago proposing the first national energy plan in a generation, and has asked Congress for an energy bill on his desk before the August recess.

Background: President Bush Discussed Plans To Reduce Our Dependence On Foreign Sources Of Energy

New Technologies Will Promote Conservation And Reduce Gas Consumption.

- **Tax Incentives For Hybrid Vehicle Owners.** Some of these cars can travel twice as far as conventional vehicles on one gallon of fuel, and they produce lower emissions. The President's FY 2006 Budget includes \$2.5 billion over 10 years in tax incentives to consumers for the purchase of hybrid cars and trucks that will reduce U.S. dependence on foreign energy sources.

- **Extending Tax Credits To Clean-Diesel Vehicles.** Clean-diesel technology will allow consumers to travel much farther on each gallon of fuel without the harmful pollution of older diesel engines, and the President has proposed to make a new generation of energy-efficient vehicles – clean-diesel cars – eligible for the same tax credits he has proposed for hybrid vehicles.

Producing And Refining More Crude Oil Here At Home Will Help Offset Growing Demand For Foreign Oil.

- **Increase Domestic Energy Production In Environmentally Responsible Ways.** Technology now makes it possible to reach energy resources in places like the Arctic National Wildlife Refuge (ANWR). Drilling on less than 1 percent of ANWR's total area could eventually yield up to one million barrels of oil per day.

- **Simplify Rules So Existing Refineries Can Expand Their Capacity.** The President has directed the Environmental Protection Agency to simplify existing regulations and make it easier for refineries to expand their capacity, while maintaining strict environmental safeguards.

- **Build New Refineries To Meet Growing Demand.** There have been no new oil refineries built in the United States since 1976. The President has proposed the construction of new refineries on closed military sites, which will create jobs in these communities.

Developing Alternative Fuel Sources To Reduce America's Need For Foreign Energy Sources.

- **President Bush Is Leading The Way On Hydrogen Fuel.** President Bush has dedicated \$1.2 billion over five years towards developing hydrogen-powered fuel cells, zero-emissions vehicles that could run without gasoline, and the infrastructure to support them. As hydrogen production becomes more cost competitive, this new energy source will offer an environmentally friendly alternative to gasoline.

- **Ethanol Is An American-Grown Alternative To Foreign Crude Oil.** Ethanol is a renewable resource derived from corn grown in America that offers the opportunity to reduce U.S. demand for foreign crude oil. With minor modifications by automobile manufacturers, vehicles can run on a fuel blend that is 85 percent ethanol and only 15 percent gasoline.

- **Biodiesel Delivers Critical Benefits Without Oil.** Made from a variety of waste products and producing substantially less air pollution than gasoline or regular diesel, biodiesel also reduces engine wear. Moreover, the use of biodiesel supports American farmers and manufacturers – not foreign oil producers.

By Urging Other Nations To Increase Production And Helping Them Become More Efficient Users Of Energy, The United States Can Help Address Increased Demand For Energy Worldwide.

- **Working With Foreign Leaders To Increase Production.** The United States is encouraging oil-producing countries to maximize their production, so that more crude oil is on the market to meet high demand.
- **Rising Oil Consumption In Asia Is Growing Faster Than Global Supply.** Helping rapidly developing countries like India and China become more efficient users of energy will take pressure off the global oil supply and reduce gas prices in America.
- **The Administration Is Working With World Leaders To Join Our Efforts.** At the G-8 meeting later this month, President Bush will ask other world leaders to help encourage developing countries to find practical, cost-efficient ways to use clean-energy technologies and reduce global demand for oil.

Source: White House Office of Communications

Jobs



Stopping Frivolous Lawsuits Now = Jobs

Republicans will end personal-injury lawyers' frivolous lawsuits to save jobs and ensure fair compensation for true victims.

Legal Reform Agenda: Stopping Frivolous Lawsuits



- Class action reform*
- Bankruptcy reform*
- Medical liability reform*
- Asbestos litigation reform*
- Protect charitable givers against lawsuits based on their donations*
- Eliminate junk lawsuits against the firearm industry*
- Enforce personal responsibility by ending junk lawsuits against the fast food industry by customers who complain that they are not eating healthfully*
- Guarantee increased penalties for lawyers who file frivolous lawsuits*
- Reform the nation's patent litigation system to enhance innovation in our science and technology communities*
- Pledge of Allegiance Protection Act*
- Multidistrict Legislation Reform*

Senate Republican Conference Jobs Agenda for the 109th Congress:

Reduce the tax burden on American taxpayers and businesses - Extend the lower dividend and capital-gain tax rates and the higher small business equipment expensing provisions through 2010, while working to repeal the death tax

Energy Bill - Allow American businesses the opportunity to provide reliable and affordable supplies of energy to meet America's growing needs while reducing its dependence on foreign sources of energy

Highway Bill - Provide equitable and reliable funding for necessary infrastructure projects

Free Trade Legislation - Approve negotiated agreements that bolster the U.S. economy and expand American job opportunities

Trade Promotion Authority - Extend President's authority to negotiate additional trade agreements to open world markets for American businesses and consumers

Asbestos Bill - Pass asbestos reform that will save American jobs and help injured workers. Target help to those workers injured by asbestos and protect businesses from frivolous lawsuits.

Class Action Reform - Reduce junk lawsuits by streamlining legal process to ensure that injured Americans receive compensation

Welfare Reform Reauthorization - Build on the success of previous welfare reform by expanding work opportunities and strengthening families

Workforce Investment Act - Provide American workers with enhanced opportunities to receive training for new and better jobs

Workplace Flexibility - Permit employers to establish voluntary compensatory and flexible time policies to give employees more choices

Enhanced Workplace Safety - Reform OSHA to increase compliance, reduce wasteful expenses and cut bureaucratic red tape in order to help minimize workplace accidents

Higher Education Reauthorization - Support accessibility and affordability of higher education for all students, and stronger links between post-secondary institutions and businesses

Jobs

Senate Republicans are Delivering Jobs and Economic Security to Americans Through a Jobs Creation and Retention Agenda

- Reduce the tax burden on American taxpayers and businesses – Extend the lower dividend and capital-gain tax rates and the higher small business equipment expensing provisions through 2010, while working to repeal the death tax.

- ✓ Energy Bill – Allow American businesses the opportunity to provide reliable and affordable supplies of energy to meet America’s growing needs while reducing its dependence on foreign sources of energy.

- Highway Bill – Senate Republicans have passed a bill to provide equitable and reliable funding for necessary infrastructure projects.

- Free Trade Legislation – Approve negotiated agreements that bolster the U.S. economy and expand American job opportunities.

- Trade Promotion Authority – Extend the President’s authority to negotiate additional trade agreements to open world markets for American businesses and consumers.

- Asbestos Bill – Pass asbestos reform that will save American jobs and help injured workers. Target help to those workers injured by asbestos and protect businesses from frivolous lawsuits.

- ✓ Class Action Reform – Senate Republicans passed and President Bush signed into law S.5, the Class Action Fairness Act of 2005, which will reduce junk lawsuits by streamlining the legal process to ensure that injured Americans receive compensation.

- Welfare Reform Reauthorization – Build on the success of previous welfare reform by expanding work opportunities and strengthening families.

- Workforce Investment Act – Provide American workers with enhanced opportunities to receive training for new and better jobs.

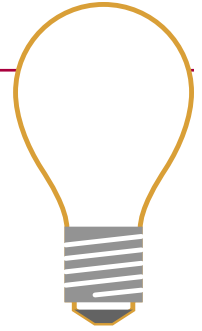
- Workplace Flexibility – Permit employers to establish voluntary compensatory and flexible time policies to give employees more choices.

- Enhanced Workplace Safety – Reform OSHA to increase compliance, reduce wasteful expenses and cut bureaucratic red tape in order to help minimize workplace accidents.

- Higher Education Reauthorization – Support accessibility and affordability of higher education for all students, and stronger links between post-secondary institutions and businesses.

(Source: Senate Republican Conference)

Economic Security for America



Recently, President Bush Visited The Calvert Cliffs Nuclear Power Plant In Lusby, Maryland. President Bush called on Congress to protect America's economic security by moving forward on important legislation such as national energy policy to provide our growing economy with affordable, reliable, and secure supplies of energy.

Background: The President's Agenda Will Increase America's Economic Security.

Economic Security Requires More Affordable and Reliable Energy.

Nuclear Power Can Provide For Tomorrow's Needs. Today, America has 104 nuclear power plants that provide one-fifth of our nation's electricity. Even though technology has made nuclear power safer, cleaner, and more efficient, America has not built a new nuclear power plant since the 1970s.

The President's National Energy Plan Will Encourage The Construction Of New Nuclear Power Plants. The Department of Energy is working with Congress to reduce uncertainty in the licensing process for new nuclear power plants and to provide Federal risk insurance to mitigate the potential cost of unforeseen delays. The President has also launched the Nuclear Power 2010 Initiative, a \$1.1 billion effort by government and industry to design and license the first new nuclear plants.

The President's Pro-Growth Policies Are Essential For America's Economic Security.

President Bush's Tax Cuts Are Working. Since 2002, America has added more than 3.5 million new jobs; the unemployment rate is 5.1 percent; real after-tax income is up by more than 10 percent; and homeownership is at an all-time high. President Bush enacted the largest tax relief in a generation, and he is now calling on Congress to make that tax relief permanent. He is also determined to reform the tax code, making it simple, fair, and easy to understand.

Legal Reform Will Help Save American Jobs. Junk lawsuits have driven the total cost of America's tort system to more than \$240 billion a year, more than any other major industrialized nation. The President signed class action reform earlier this year, but more needs to be done to bring an end to frivolous lawsuits that clog the judicial system and harm the nation's economy.

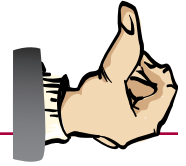
Opening Up New Markets For American Products. President Bush has called on Congress to approve the U.S. – Central American – Dominican Republic Free Trade Agreement (CAFTA), which will expand U.S. sales to the region by more than \$3 billion in the first year, according the U.S. Chamber of Commerce.

Rising Health Care Costs Must Be Confronted. More than half of the uninsured are small business employees and their families, so the President wants to allow small businesses to pool together to buy insurance at the same discounts big companies get. The President also supports medical liability reform, to reduce the cost of medicine for doctors, patients, and businesses.

An Educated Workforce Is The Foundation Of A Strong Economy. President Bush's education proposals will ensure that every student graduates with the skills needed to succeed in college and in today's competitive workforce. By setting high standards and testing students, No Child Left Behind is holding schools accountable while also allocating record new funding to support their efforts.

The President Has A Plan To Strengthen Social Security. The President's plan to reform Social Security will ensure that everyone gets more than the current system can afford to pay. It will also ensure that those who depend on Social Security the most do not retire into poverty, and that young workers have the chance to save part of their payroll taxes in voluntary personal retirement accounts that they own and control.

78,000 Jobs Created In May — 24 Straight Months of Job Gains



Over 3.5 Million Jobs Created Since May 2003

Jobs Data Shows The President's Economic Policies Are Driving Steady Job Growth

- **The Government Has Released New Jobs Figures – 78,000 New Jobs Created In May.** Payroll employment rose by 78,000 in May, and the economy has created over 3.5 million jobs since May 2003. We have seen steady job gains for each of the last 24 months – and more Americans are working than ever before.
- **The Unemployment Rate Fell To 5.1 Percent In May, The Lowest It Has Been Since September 2001.**
- **Strong gains continue in June.** The week ending June 18, unemployment claims declined by 20,000 to 314,000 from the previous week's figure of 334,000 (Department of Labor).
- **One quarter of the national deficit has been cut in the last year thanks to a growing economy.**

The Economy Continues To Grow

- **Last Quarter's Growth Figures Have Been Revised Upward.** The U.S. economy grew more vigorously in the first quarter than originally thought, expanding at a 3.5 percent annual rate. For the past two years, the U.S. economy has grown faster than the economies of any other major industrialized nation.
- **Home Sales Surge To All Time High.** Sales of existing U.S. homes climbed 4.5 percent in April, according to the National Association of Realtors. In 2004, home prices posted the biggest annual gain in 25 years as mortgage interest rates remained low. Homeownership is near record levels, with 69.1 percent of American families now owning their own homes.
- **Construction Spending Rises To Record Levels.** The Commerce Department announced construction spending rose 0.5 percent in April on the heels of a surge in office construction and record high activity in the housing market. Building activity reached a seasonally adjusted annual rate of \$1.067 trillion.
- **Consumer Confidence Grew In May.** The New York-based Conference Board reports that their Consumer Confidence Index rose to 102.2, up from 97.5 in April. Consumer spending accounts for two-thirds of all U.S. economic activity.
- **U.S. Manufacturing Continues To Expand.** For the 24th consecutive month, U.S. manufacturing expanded in May.

Source: White House Office of Communications

State Employment Statistics – May 2005

Provided by the Joint Economic Committee (JEC) – <http://jec.senate.gov>

	<u>Change in Employment In May 2005*</u>	<u>Change in Employment May 2004 to May 2005*</u>	<u>Unemployment Rate</u>
Alabama	1,500	33,900	4.4%
Alaska	300	5,900	6.4%
Arizona	7,300	95,100	4.8%
Arkansas	(500)	11,800	5.0%
California	17,600	254,500	5.3%
Colorado	2,200	43,400	5.3%
Connecticut	500	22,000	5.3%
Delaware	900	8,700	4.1%
D.C.	3,800	9,200	7.9%
Florida	9,900	225,500	4.0%
Georgia	(2,800)	20,400	5.2%
Hawaii	400	14,500	2.7%
Idaho	2,200	18,100	3.9%
Illinois	4,500	46,400	5.8%
Indiana	(6,900)	36,600	4.8%
Iowa	(600)	16,200	4.8%
Kansas	3,000	19,000	5.3%
Kentucky	2,000	23,500	5.7%
Louisiana	(100)	15,400	5.4%
Maine	(500)	4,800	5.0%
Maryland	4,900	47,600	4.2%
Massachusetts	(400)	20,500	4.8%
Michigan	(11,000)	(30,500)	7.1%
Minnesota	2,800	25,400	4.3%
Mississippi	(2,000)	13,000	7.1%
Missouri	5,900	25,200	5.6%
Montana	(100)	6,800	4.5%
Nebraska	1,200	13,100	4.0%
Nevada	4,700	77,000	4.0%
New Hampshire	900	10,700	3.6%
New Jersey	3,800	54,200	3.9%
New Mexico	2,500	17,900	6.0%
New York	6,500	68,600	5.0%
North Carolina	8,400	62,100	5.1%
North Dakota	(100)	6,700	3.5%
Ohio	4,700	27,500	6.1%
Oklahoma	(2,500)	24,300	4.5%
Oregon	(3,300)	47,400	6.5%
Pennsylvania	5,400	62,100	4.8%
Rhode Island	1,300	5,800	4.5%
South Carolina	(2,900)	(14,300)	6.3%
South Dakota	1,400	7,600	4.0%
Tennessee	(3,100)	23,700	6.2%
Texas	6,000	117,400	5.5%
Utah	800	37,500	4.9%
Vermont	2,200	5,000	3.1%
Virginia	(2,800)	49,600	3.6%
Washington	2,400	54,700	5.7%
West Virginia	500	6,100	4.5%
Wisconsin	3,900	29,600	4.7%
Wyoming	1,300	5,500	4.0%

*Black indicates job gains and red indicates job losses.

Source: U.S. Department of Labor - <http://www.bls.gov/news.release/laus.toc.htm> (Accessed 6/17/2005)



JOINT ECONOMIC COMMITTEE

ROBERT F. BENNETT, VICE CHAIRMAN

RECENT ECONOMIC DEVELOPMENTS

JUNE 21, 2005

Healthy Economic Growth and Modest Inflation

Economic growth continues at a healthy pace, inflation remains low, and two years of continuous employment gains have added over 3.5 million new jobs to payrolls. 78,000 new payroll jobs were created last month, after a large gain of 274,000 in April, and the unemployment rate edged down to 5.1%. Annualized growth in the inflation-adjusted gross domestic product (GDP) was a robust 3.5% in the 1st quarter, only a minor easing from 3.8% growth in the 4th quarter of 2004. Forecasters see a continuation of robust growth in GDP and employment along with continued low inflation. Energy and some commodity prices continue to be elevated, but general inflation moderated last month and remains tame. In light of healthy economic growth and modest overall inflation, the Federal Reserve (Fed) is expected to continue its policy of increasing overnight interest rates at a measured pace.

Highlights

- Payroll employment rose by 78,000 in May. The unemployment rate edged down to 5.1% (Fig. 1).
- GDP growth was 3.5% in the 1st quarter, following 3.8% growth in the 4th quarter of 2004 (Fig. 2). Forecasters see a continuation of healthy growth.
- Inflation in the “core” consumer price index, which excludes volatile energy and food prices, moderated to 2.2% in May on a year-over-year basis.
- Markets expect that the Fed will continue to raise its target for overnight interest rates, which it has raised from 1% in late June 2004 to the current 3% in a sequence of quarter-point increases.



Over 3.5 Million New Jobs Have Been Added to Payrolls in the Past Two Years

The economy added 78,000 *payroll jobs* in May, the 24th consecutive month with job gains, following a much larger gain of 274,000 in April. Over 3.5 million new payroll jobs have been created over the past two years. The *unemployment rate*, based on a survey of households, edged down to 5.1% in May, the lowest since September 2001 and below the average of each of the past three decades (Fig. 1).

GDP Grew at a 3.5% Annualized Rate in the First Quarter

Growth was led by *consumer spending* (which increased 3.6%), *inventory investment* (which added 0.78 percentage points to the 1st quarter change in GDP), *exports* (which increased 7.2%), *residential investment* (which increased 8.8%), and *business equipment and software investment* (which increased 5.6%). Forecasters see continued strong and steady growth with moderate inflation (Fig. 2, next page).

Consumer Price Inflation Remains Contained

Inflation remains generally contained. Year-over-year inflation in the core *consumer price index* (CPI) was 2.2% in May. Inflation in the core *personal consumption expenditure price index* (PCE), the Fed's preferred measure of consumer price inflation, was 1.6% in April. Inflation had been mildly accelerating since around September 2003, but the acceleration has moderated in recent months.

The Fed is Expected to Raise Rates Again

The *Federal Reserve* has raised its target *overnight interest rate* from 1% to the current 3% in a sequence of eight quarter-point increases that began at the end of June 2004. Testimony by Chairman Alan Greenspan and the Fed's recent policy statement suggest that further increases in short-term interest rates are likely. Financial markets expect further rate hikes. Despite increases in short-term interest rates, *long-term interest rates* have remained relatively low (Fig. 3).

Housing Markets Remain Vibrant and Prices Soar

Low mortgage interest rates have helped fuel housing market activity. *New and existing home sales* each set new record-high levels in April (Fig. 4). *Price appreciation* in housing has also been strong, according to data from the Office of Federal Housing Enterprise Oversight. Average U.S. single-family home prices increased 12.5% between the first quarter of 2004 and the first quarter of this year, the strongest growth since the 3rd quarter of 2004, when appreciation surpassed any increase in over 25 years.

Energy Prices Remain Elevated

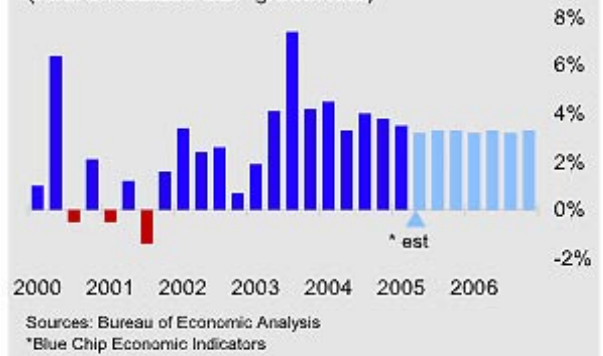
Oil and natural gas prices remain elevated, but have not been accelerating. Crude oil prices have hovered around \$50 a barrel throughout this year, high relative to historical prices, but well below the over-\$80-a-barrel prices (in 2005 dollars) in the early 1980s. The *Organization of Petroleum Exporting Countries (OPEC)* recently signaled a price target above \$50 a barrel for its reference basket of crude-oil exports, citing strong global demand growth and refining bottlenecks as some of the reasons for elevated prices. Prices in futures markets suggest that energy prices will continue to remain elevated.

The Current Account Deficit Widened

The U.S. *current account deficit* widened in the 1st quarter to a record high 6.4% of GDP. The current account deficit represents the portion of U.S. investment financed by savings from abroad. The current account deficit is dominated by the trade deficit, and U.S. *import growth* continues to outpace *export growth*. The *value of the dollar* has generally declined since a recent peak in mid-2001, though it has shown some appreciation in recent months. Declines in the dollar's value make U.S. imports more expensive and U.S. exports more competitive overseas, but weakness in economies abroad has hampered U.S. export growth.

Strong Growth Expected Through 2006

(Real annualized GDP growth rate)



Interest Rates



Homes Sales

(In thousands)



Upcoming Indicators

Federal Reserve – The Fed's next meeting is *June 29-30*; markets expect another quarter-point increase in short-term interest rates.

Employment – The Bureau of Labor Statistics reports the June employment situation on *July 8*. Jobless claims data arrive every Thursday.

GDP – The final estimate of 1st quarter GDP arrives *June 29*. A first look at GDP for the 2nd quarter arrives *July 29*.

Inflation – The Consumer Price Index is scheduled to be released on *July 14* and the Producer Price Index on *July 15*.

Promoting Trade With Central America And The Dominican Republic

President Bush Strongly Supports The U.S. – Central American – Dominican Republic Free Trade Agreement (CAFTA) Because It Will Promote Freedom And Democracy And Expand Economic Opportunity And Security In Our Hemisphere.

CAFTA Will Advance Democracy, Strengthen Security, And Promote Prosperity In Central America And The Dominican Republic.

- CAFTA Is Essential To The Stability Of America's Neighbors. The young democracies of Central America still face forces opposed to democratic government and economic freedom, such as the leaders of Cuba and Venezuela. By supporting CAFTA, the United States can stand with those in the region who stand for democracy and freedom, who are fighting corruption and crime, and who believe in the rule of law.
- CAFTA Is Essential To U.S. Influence in the Region. CAFTA, by integrating the Central American economies together with our own, will strengthen America's influence in the region. Failure to move forward with CAFTA could create a vacuum that China, with its growing economic weight, might use to expand its political influence in the region.

CAFTA Will Benefit American Workers, Farmers, And Ranchers By Leveling The Playing Field And Opening Up New Markets.

- Expanded Trade Opportunities Will Improve Life In Central America And The Dominican Republic. CAFTA will buttress democratic reforms, give the United States more leverage in improving labor conditions, and boost economic growth throughout the region.
- CAFTA Will Level The Playing Field For American Workers, Farmers, And Ranchers. Eighty percent of imports from Central America and the Dominican Republic, including 99 percent of agricultural imports, already enter the United States duty free. CAFTA will level the playing field by reducing hefty tariffs and burdensome regulations.
- American Sales Will Grow By Billions. CAFTA will allow the people of Central America and the Dominican Republic to buy even more from the United States across a broad range of agricultural, manufacturing, and service sectors. The U.S. Chamber of Commerce predicts U.S. sales to the region could expand by more than \$3 billion in the first year, and the American Farm Bureau estimates U.S. farm exports could grow by \$1.5 billion per year.
- U.S. Manufacturers Also Stand To Gain. CAFTA will instantly eliminate tariffs on 80 percent of U.S. manufactured goods, and the remainder of tariffs will be phased out within a few years. As a result, manufacturers and workers will benefit from increased sales of information technology; farm, construction, medical, and scientific equipment; paper products; and pharmaceuticals.
- CAFTA Will Cut Foreign Taxes For U.S. Products. U.S. businesses export more than \$15 billion per year to Central America and the Dominican Republic, but because of high tariffs, U.S. companies and farmers pay out more than \$1 billion per year in foreign taxes to do business in that region. CAFTA would be a tax cut for our small businesses and farmers.

- CAFTA Will Help The United States Compete. America exports more to the six nations participating in CAFTA than to Russia, India, and Indonesia combined. By removing tariffs and other barriers, CAFTA makes trade between the United States and participating countries less expensive.

CAFTA Will Strengthen The Western Hemisphere And Allow Us To Better Compete In The Global Economy.

- CAFTA Marks The Foundation Of A Lasting Partnership. In Europe and Asia, many nations have organized to reduce the cost of doing business by consolidating their economies. CAFTA will help further integrate the western hemisphere so U.S. companies are in a better position to compete against foreign competitors in markets around the world.

- CAFTA Will Strengthen The U.S. Textile Industry's Ability To Compete. Most apparel manufactured in Central America and the Dominican Republic uses American materials. Everything from the fabric to the thread to the elastic is made by workers in the United States. According to a recent poll by the American Apparel and Footwear Association, without CAFTA, more than 53 percent of apparel investors in Central America say they will go elsewhere to buy these raw materials. CAFTA will keep these manufacturing jobs in our region.

Source: White House Office of Communications

Judges





The Supreme Court Nomination Process

Expectations about the Nominations Process

- The nominations process should be fair — including a fair hearing, a floor debate in which all views are heard, and then an up-or-down vote on confirmation.
- Every nominee deserves to be treated with fairness, dignity, and respect. That means that the name-calling, insults, and demeaning attacks on nominees' integrity and character must stop.
- Nobody should be playing politics with the justice system.

The Kind of Nominee America Deserves

- The President should nominate a distinguished and highly qualified American to serve on the Supreme Court.
- That nominee must be intelligent, open-minded, freed of bias, and committed to equal justice under the law.
- Judicial nominees should never pre-judge the cases that may come before them. They must be open-minded enough to listen carefully to every argument, decide each case on the facts, and be willing to rethink opinions they might have had before the case came before them.
- We should measure our nominees on whether they will give all parties a fair shake and consider the merits of every dispute— not based on whether we like particular results.
- Judges are like umpires. They should be neutral. We trust them not to pick sides before the game begins, but to fairly apply the rules.
- Judges are not politicians. Campaign promises are for the campaign trail, not the courtroom.
- America needs judges who will apply the law as written, not make law to advance a personal political agenda.
- Most of all, America needs judges who are independent, fair, and open-minded.

Miscellaneous



SAVE AND STRENGTHEN SOCIAL SECURITY

Republicans will save and strengthen Social Security by protecting promised benefits for today's seniors and those nearing retirement while offering younger workers increased financial security through a voluntary personal retirement account - a nest egg they can call their own and pass on to their children.

Senate Republicans are committed to passing Social Security reform this year.

- A Social Security system that was designed for the world of 1935 will not work for future generations of Americans.
- Changes must be made, and the sooner we act, the more successful they will be.
- If we fail to act today, our children and our grandchildren will be faced with changes that are large, abrupt and unpleasant.

The Senate leadership continues to support the work of Chairman Grassley, whose goal has been to produce a bipartisan bill that permanently fixes Social Security and includes voluntary personal retirement accounts for younger workers.

- Chairman Grassley has held three Senate hearings on Social Security, and continues to work toward bipartisan legislation for Committee action.
- As we work toward debate on a bipartisan plan, the Senate leadership would also like to support the efforts of Republican members who have put forward their own ideas and solutions.
 - Senator Hagel and Senator Sununu have both introduced bills that will secure America's Social Security system for future generations.
 - Senator DeMint offered a plan with 10 cosponsors that will start saving the Social Security surplus for retirement benefits. While not comprehensive reform, the bill is a step in the right direction because it makes sure that Congress can't spend America's Social Security money on other government programs. Instead, it guarantees that Social Security money is spent on Social Security.
 - Senator Bennett is also expected to offer two bills that fix Social Security – one on solvency and one on personal retirement accounts.

Senate Republicans think the problem facing Social Security is too important for partisan politics.

- Since January, the President and Republicans in Congress have been working to educate the American people about the problem facing Social Security. And for the past six months Democrats have refused to negotiate with Republicans on how to save and strengthen one of America's most vital institutions.
- Republicans will continue to offer responsible solutions in the hope of making progress on this priority issue. It is now time for Democrats to do the same.
- The American people deserve a solution that secures their retirement.

Winning Social Security Reform Messages for Voters 55+



Fairness, Protection, Peace of Mind, and Patriotism

Right now reformers are caught in the weeds:

- Rates of return (\$)
- Unfunded liabilities (\$)
- Insolvency dates (\$)
- Progressive indexing (\$)

All of these arguments are based on numbers and money, not values. How many 75-year-old grandmothers are moved by these arguments? Very few.

For the older generation that you need to convince, focus on values that underlie Social Security: protection, fairness, peace of mind, patriotism, and reward for hard work.

Most importantly, make a values-based argument for righting a wrong: “Stop the Raid!” Doing this lifts the discussion out of factual confusion and into moral clarity.

Stop the Raid!

“For two decades, Congress has been spending Social Security money on other programs. I bet this makes you mad. I’m steamed about it myself.”

“So let me be clear: Spending Social Security money on other programs is flat wrong. As your Congressman I’m leading a fight in Washington to put an end to this immoral practice.”

“In the past Congress has not had the discipline to keep its hand out of the Social Security cookie jar. So I propose that in the future Congress can’t get its hands on the money in the first place. When workers can save part of their Social Security money in a personal account with their name on it, Congress will have to find its money elsewhere. It can’t drain billions out of Social Security any longer.”

And Don’t Forget...

Benefits Only for Those Who Deserve Them: “Social Security benefits should only go to those people who have worked hard, played by the rules, and earned the right to a secure retirement that no one can take away.”

Our Obligation to The Next Generation: “As a philosopher once said, ‘The ultimate test of a moral society is the kind of world it leaves to its children.’ It’s unfair, and wrong, to leave to our kids and grandkids a Social Security system badly in need of repair.”



Dutko Quick Take

June 29th, 2005

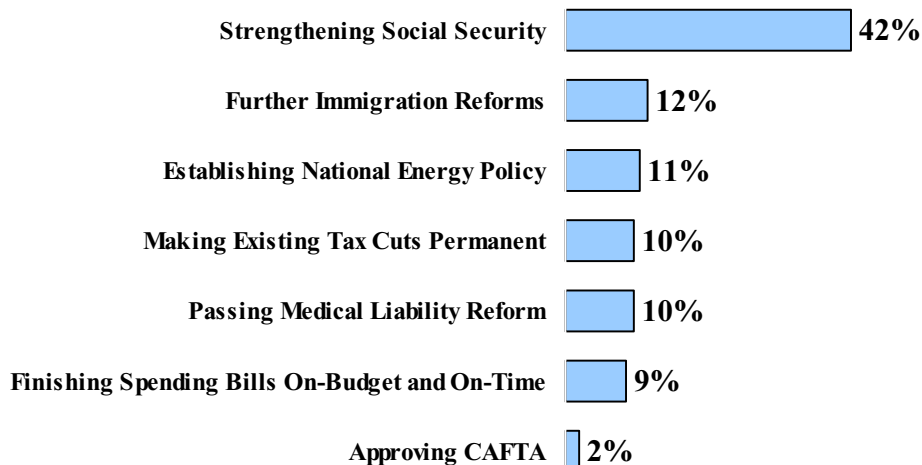
Volume 3, Number 5

Strengthening Social Security

- A new survey of registered voters finds Social Security ranks most important on Congress's to-do list.
- Nearly six in 10 support placing Social Security surplus in personal accounts.

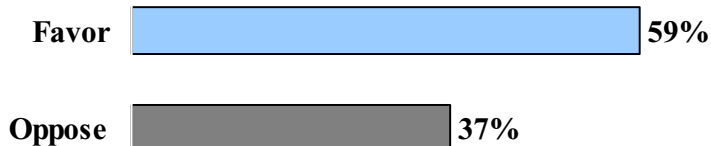
When asked to choose the most important issue for Congress to address, a strong plurality selects "strengthening Social Security".

"Of the following issues, which one do you think is the most important for Congress as a whole to address?"



Recent proposal to place the Social Security surplus into personal accounts receives overwhelming support, including 76% among Republicans, 62% among independents, and even 40% among Democrats.

"Until the year 2017, the Social Security system will receive more in taxes than it must pay to recipients. Right now, the government spends that surplus money. A proposal has been made to instead let each person paying into Social Security put his or her share of the surplus into their own personal account with Treasury bills. Individuals who chose to create a personal account would own the Treasury bills and could pass the personal account on to heirs. What about you, would you favor or oppose these accounts?"



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STRENGTHENING SOCIAL SECURITY: WHAT THEY'RE SAYING

President Bush – Americans Want Leadership: “See, the American people expect those of us who’ve come to Washington, D.C. to negotiate in good faith on behalf of the people if there’s a problem. People ought to say, here’s what I’m for, not what they’re against. People ought to be willing to step up and lead, as opposed to playing partisan politics. That’s what the people want.” (President George W. Bush, Silver Spring, MD, 6/23/05)

Ben Stein Says Compound Interest Will Work To Fix System: “Well, compound interest means you earn interest, and then you earn interest on the interest. And if you let that work for you in the stock market for 20, 30, 40 years, even if you’re just putting a small amount away each month, you’re going to have a much more comfortable retirement than you ever dreamed of having. If you start when you’re in your 40s or 50s, the problem doesn’t get solved. If you start when you’re 20, it does get solved. And that’s sort of exactly what we’re talking about with your Social Security plan. If we start now, it’s going to be easy to solve the problem. If we wait until the system is already broke, it’s going to be incredibly difficult and expensive to solve the problem. Why not do it now, when it’s easy?” (Ben Stein, “President’s Conversation on Social Security,” Silver Spring, MD, 6/23/05)

Deputy Commissioner Warns Of Solvency Problems: “In an overview of the Social Security system, James B. Lockhart III, deputy commissioner for Social Security, said the nation’s ‘largest and most successful government program’ is spending more than the Department of Defense. It provides coverage for 157 million taxpaying workers and families, with \$493 billion paid to 48 million retirees, disabled workers and survivors last year, he said. But Social Security faces pressures in 2008 with baby boomers starting to retire, and it will run into deficits by 2017, he said. By 2041, the Social Security Trust Fund will be exhausted, with taxes funding only 74 percent of scheduled benefits. ‘The probability of solvency is very low without changes,’ Lockhart said.” (Chong W. Pyen, “Social Security Sides Heard Congressmen Dingell, Schwarz Offer Viewpoints On Privatizing,” Ann Arbor News, 6/19/05)

Senate Finance Chairman Grassley - Voluntary Personal Retirement Accounts Offer ‘Real Reform’: “‘I don’t want to give up on [voluntary personal retirement accounts],’ Grassley said in a conference call with reporters. While Grassley has said his top priority is assuring the long-term solvency of Social Security, he also favors creating the private accounts and said Bush’s backing offers a rare opening to push the issue. Bush created a stir on Tuesday when he encouraged the introduction of Social Security reform measures that don’t include the private accounts. Grassley said he doesn’t view that as retreating on the issue. ‘I don’t think the president can back off or should back off,’ Grassley said... ‘[We] want real reform and that real reform is personal accounts.’” (Mike Glover, “Grassley Not Giving Up On Private Accounts”, AP, 6/22/05)

The Washington Post - Engage On Social Security Reform: “Failing to act now will make the problem harder to fix down the road; cuts or tax increases will have to be steeper the longer the problem goes unaddressed. ... This seems a good time to start.” (Editorial, “Where Are The Democrats,” The Washington Post, 6/22/05)

CBO Director Warns Of System’s Problems; Former Director Says Personal Accounts Will Lower Costs: “...the Congressional Budget Office renewed a warning Tuesday about the impending financial problems from failure to fix Social Security’s long term financial issues. CBO Director Douglas Holtz-Eakin, in prepared testimony before the House Ways and Means Committee, said Social Security’s projected surplus will swing from \$100 billion in 2007 to a deficit of \$100 billion by 2025. If Congress fails to address Social Security’s long-term problems, it will be forced to borrow billions to make up the projected shortfall, Holtz-Eakin said. ‘The resulting increase in government debt could seriously harm the economy,’ he told the committee. ... ‘When workers who have contributed to individual accounts retire, no tax payments will be needed to pay for the portions of their benefits that was pre-funded,’ [former CBO director] June O’Neill told the panel. ‘The transition costs [to personal accounts] should be viewed as an investment that will lower government costs in the future and will benefit saving and encourage economic growth.’” (“CBO Chief Warns About Failure to Fix Social Security”, Dow Jones Newswires, 6/21/05)

Young People, Federal Reserve Economist Call On System To Be Fixed: “Jennifer Flickinger has never counted on Social Security to be part of her retirement. ‘If it’s there, it will be a bonus,’ said Frank Howell. Flickinger, Howell and about 20 other under-40s were at the Marriott Downtown to hear Thomas Garrett, research officer and economist for the Federal Reserve Bank of St. Louis, discuss the Social Security issue. Garrett discussed the difficulties and some proposed solutions to what many people label a crisis in the Social Security retirement program. ... Without changes, the Social Security system will begin paying out more in benefits than it gets in taxes in 2018, he said. By 2041, the Social Security Trust Fund - - really a stack of government IOUs stored in Parkersburg, W.Va. -- will be gone. At that point, Social Security only will be able to afford 74 percent of the promised benefits. ... ‘Private accounts in the long, long, long run will be more beneficial than the current system,’ he said. ... Private accounts could create a culture change, encouraging people to provide for their retirements and the additional investments could fuel market gains and provide economic growth, said Brandon Tidwell, one of the listeners at the forum for members of MPACT Memphis, Leadership Academy Fellows and the Memphis Urban League Young Professionals.” (David Flaum, “Social Security Needs Reform, Fed Exec Says,” The Memphis Commercial Appeal, 6/22/05)

Two-Thirds Of Students Support Personal Accounts: “Personal accounts are supported by more than two-thirds of all students, but more importantly, personal accounts are voluntary. Those who do not support them will not be coerced into participation. Workers who do opt into personal accounts may see their tax dollars grow substantially through the use of low-risk bonds and sensible stock options... Putting our tax dollars to work for us through compound interest, personal accounts are a much better solution than benefit cuts or tax hikes. Social Security taxes have been raised 40 times since their inception. Another round of tax hikes will only delay the problem and cost our generation jobs just as we begin to enter the work force.” (Jonathan Swanson and Anastazia Skolnitsky, “Attention, Students: Your Money’s On The Line,” CAMPUS Magazine 6/17/05)

Heritage Tallies How Much No Reform Costs Workers: “The Social Security NOdometer measures how much saying no to Social Security reform is costing future generations of Americans. The NOdometer display shows the outstanding debt owed to the Social Security Trust Fund. Congress will have to raise taxes, reduce Social Security benefits, reduce other spending, or borrow more when it comes time to repay the Trust Fund -- starting in 2017, according to the Social Security Administration. ... The longer lawmakers delay fixing Social Security, the more painful the fix will be. This year alone, the debt owed to Social Security will increase by over \$60 billion and the system’s 75-year deficit will increase by over \$600 billion.” (Heritage Foundation)

Personal Accounts Provide Low-Income Workers Opportunity To Build Nest Egg: “(B)ecause significant benefit cuts will be necessary in the decades after retiree benefits eclipse payroll tax revenue in 2017, the accounts are a critical part of helping workers get a better deal, they say. ‘Tax payments to Social Security represent the largest contribution toward retirement for most Americans’ a report by President Bush’s 2001 commission stated. ‘Their ability to save and accumulate assets will be determined largely by whether such opportunities are created within Social Security.’ ... Workers pay 6.2% of their wages — up to \$90,000 — to fund retirees’ Social Security benefits. Economists say the real burden is twice as high because employers also pay 6.2%. For low- and moderate income workers, in particular, that leaves little extra disposable income to save and invest. ... ‘The pathway out of poverty is not through income and consumption, but through savings and accumulation.’ ... Diversified investments made over an entire working life carry little risk ‘compared to a Social Security system that can’t pay the benefits that are promised,’ [Michael Tanner of the CATO Institute] said.” (Jed Graham, “Social Security Reform Would Assist the Poor”, Investor’s Business Daily, 6/20/05)

Sen. Chafee Backs Progressive Benefit Growth, Declares Doing Nothing A Mistake: “In his Chamber of Commerce speech, (Rhode Island Sen. Lincoln) Chafee addressed Social Security. That traditionally thorny issue, Chafee said, actually presents ‘a chance to get together to do something good.’ ... Chafee said, ‘there is that temptation to do nothing.’ But that, he added would be a mistake. ‘Shame on us if we do nothing.’ ... (H)e said, if progressive indexing is done in conjunction with measures like raising the income cap, it could soften the hit that group would take. There is some benefit to the private accounts advocated by the Bush administration and others, Chafee said ...” (Jim Baron, “Chafee: Group Of Moderate Senators Hopes For Progress On Several Issues,” The Pawtucket Times, 6/21/05)

Grassley: Let's take the high road, fix successful program



June 26, 2005

By SEN. CHARLES GRASSLEY, REGISTER COLUMNIST

When President Franklin D. Roosevelt created Social Security in 1935, he launched what may be the government's most successful program. Keeping Social Security healthy must be a top priority in Washington.

The New Deal program has been a good deal for my generation, just as it was for my parents'. Today, we know that Social Security will be a raw deal for my grandkids' generation if Congress doesn't act to secure the program's future. The annual Social Security Trustees' report says the program is unsustainable in its current form.

The facts are plain as day. Social Security as we know it will take in less money than it pays out within 12 years. Under the program rules, benefit cuts would be kicked in automatically once the trust fund is exhausted, and promised benefits would be slashed by more than one-fourth when 30-somethings reach retirement.

Because of a demographic shift, the numbers just don't add up. In 1950, there were 16 workers for every Social Security beneficiary. Today there are just three workers per beneficiary. In 1940, life expectancy was 64 years. Today, it's 77 years.

Since the first of the year, I've conducted 60 town meetings across the state to listen to and exchange points of view with Iowans. At the same time, President Bush took his State of the Union pledge on the road to pitch his plan to restructure Social Security and fix the program for 21st-century retirees. According to national opinion surveys and the Register's own Iowa poll, a majority of those questioned agree Social Security faces a looming financial shortfall.

As chairman of the Senate Finance Committee, I'm responsible for Social Security legislation. After holding three congressional hearings and a dozen weekly sessions with fellow committee members, progress has reached a fork in the road.

The high road would have lawmakers take advantage of the environment created by the president on such a politically sensitive issue - just like Presidents Carter, Reagan and Clinton did previously with Social Security - and take responsible action to make the program solvent for future generations.

The low road would have lawmakers kicking Social Security's problems down the road for someone else to deal with.

I've invited every senator - Republican and Democrat - to come to the table and work on a solution. So far only Republicans have joined the debate and offered ideas that would give younger workers the security today's retirees have with Social Security. Without the involvement of Senate Democrats, efforts to save Social Security are stalled.

I've pledged to serve as an honest broker in this debate and won't give up trying to bridge the divide. The sooner we act, the better choices we'll have to secure Social Security. The road map to solvency will take a combination of choices to achieve sustainable solvency well into the 21st century. Strong economic growth alone won't scale the looming demographic imbalance.

Social Security is part of the social fabric of America, and we owe it to younger generations to make sure Social Security remains secure throughout their retirement years.

SEN. CHARLES GRASSLEY, a Republican from New Hartford, is chairman of the Senate Committee on Finance

The Washington Times

Social Security shuffle

By Michael Tanner
June 26, 2005

Since personal retirement accounts were first proposed to reform Social Security 25 years ago, the case for ownership has remained consistent.

Opponents of reform, however, have bounced from argument to argument with such fury that any coherence their opposition once had is gone.

Take the changing, bright red face of New York Times columnist Paul Krugman. Over the last year, he has emerged as one of the most vocal opponents of personal retirement accounts. His most recent stall tactic has been to shift focus away from Social Security and toward health care. America's semi-private system is in "crisis," he informs us, because it costs too much and delivers too little.

It's interesting Mr. Krugman takes this tack because his criteria for designating a "crisis" perfectly describe Social Security. It is the largest government program in the world (costs too much) and gives retirees a return on their payroll taxes just under 2 percent (delivers too little). Why a health-care crisis but not a Social Security crisis?

Despite Social Security's demographic and fiscal problems, Mr. Krugman wants to bury his head in the sand for another 40 years until 2042, hoping the problem will solve itself. Or will that be 2052? Opponents breathed a collective sigh of relief when the CBO announced Social Security wouldn't collapse until 10 years later than previous estimates.

While most would consider that little more than hitting the snooze button on an alarm clock, opponents argued we can relax about the long-term financing because we're not even sure there will be a problem.

Let's play that again. The same people who warn us of the market's "unpredictability" now say economic growth projections are underestimated and we'll most likely see better than expected growth over the next 50 years. Apparently, the market economy is a gambling casino at the same time it is the guarantor of Social Security's solvency.

In other words, the economy is too volatile to invest your money in but is a sure bet to lift Social Security out of its funding problem.

By twisting their arguments in so many directions, Democratic and liberal opponents have abdicated their most sacred self-imposed duty: guardianship of "the children." In what is perhaps the largest collective game of Kick the Can ever played, they want to deny Social Security's inherent problems until the political capital for personal retirement accounts is spent.

The current debate on Capitol Hill is the first serious effort by lawmakers to determine Social Security's future. The program's demographic, fiscal and economic threats will not lessen as time passes, yet opponents want to wait and see. Is this supposed to be in the best interest of the children?

Given the overwhelming empirical data that point to an impending meltdown, where is the logic in hoping the problem will fix itself? The AARP Web site asks us to help save Social Security for "the next generation," yet it advocates fiddling at the margin while the program's foundation burns.

With reform opponents losing the factual fight, many have tried to remake Social Security's image. We now routinely hear the program described as an "intergenerational compact," or the New Deal's "crown jewel." Some say it's the greatest government program in history.

John Rother, AARP policy director, proclaimed repaying the Social Security trust fund debt a "sacred commitment." It's probably safe to assume those people don't think the same of budget deficits, though they also are "sacred commitments" by the federal government to borrow and repay debt.

This is not to say there has been no consistency among the do-nothings. They've continually dodged choice and ownership.

Go back and read the columns of Paul Krugman. Flip through back issues of the American Prospect. Look at the anti-reform blogs. Although you will find some interesting rhetorical back-flips (AARP informs its members PRAs won't give them any new control over their money because they already control their 401ks), they've ignored the core reform argument. After all, it's much easier to compare the stock market to a roulette wheel than to tell citizens they shouldn't have more choice and control over their retirement funds.

Michael Tanner is director of the Cato Institute's Project on Social Security Choice.

DEMOCRAT PLAN FOR SOCIAL SECURITY: OBSTRUCT AND ATTACK

Democrat Leadership Aide: “Why Would We Put Something Out For [President Bush] To Take Shots At?” (Hans Nichols, “Wexler’s Social Security Plan Has Some Dems Complaining,” *The Hill*, 5/18/05)

“Attempting To Grease The Financial Machinery For Americans United, Senate Minority Leader Harry Reid (D-Nev.) And House Minority Leader Nancy Pelosi (D-Calif.) Have Recently Stepped Up Their Outreach To Donors.” (Chris Cillizza, “Social Security Draws Few Big Donors,” *Roll Call*, 5/17/05)

“Congressional Democratic Leaders Believe They Are Winning The Political Fight Over Social Security, Mainly By Criticizing Bush’s Idea For Accounts, And Are Lobbying Their Members Not To Offer Any Concrete Proposals.” (Jim Vandehei, “Panel May Take Lead On Social Security Plan,” *The Washington Post*, 4/17/05)

Democrat Aides Admit Party Has No Plan For Social Security, And Will Not Offer Any. “House and Senate Democrats have decided against introducing an alternative Social Security reform plan yet, preferring instead to focus attention and criticism on President Bush’s proposals, according to a number of senior Democratic aides.” (Patrick O’Connor, “For Now, Dems Will Offer No Social Security Reforms,” *The Hill*, 2/8/05)

“[A]s The President Spoke In The House Chamber, Several Democrats Hissed And Rumbled ‘No, No, No’ During Some Of His Assertions About Social Security.” (Charles Babington and Mike Allen, “Bush’s Address Wins Over Few, If Any, Democrats,” *The Washington Post*, 2/3/05)

Senate Minority Leader Harry Reid (D-NV):

Senate Minority Leader Harry Reid (D-NV): “President Bush Will Get Nothing Done That He Wants.” (Erin Neff, “Del Sol High School Appearance: Reid Calls Bush ‘A Loser,’” *Las Vegas Review-Journal*, 5/7/05)

Reid Said To Be “Warning” Democrats Against Helping Republicans Pass Social Security Legislation. “On Social Security, Reid says he is warning Democrats that aiding Republican efforts to pass legislation in the Senate – even without private accounts – is a bad idea because the accounts could be reinserted by House Republicans at a later point in the process.” (Laura Litvan, “Reid Ready For Fight Over U.S. Judges As Companies See Fallout,” *Bloomberg*, 5/9/05)

Reid: “It May Take 60 Days, It May Take Six Months, It May Take Six Years. But It Doesn’t Matter; We’re Not Going To Back Down. Democrats In The Congress Won’t Back Down, And The American People Will Not. United We Stand To Protect Social Security!” (Sen. Harry Reid, Social Security Rally With Democratic Members Of The House And Senate, 4/26/05)

Reid: “We’re Going To Stand United Against Privatization ...” (Sen. Harry Reid, Social Security Rally With Democratic Members Of The House And Senate, 4/26/05)

Reid: “Privatizing Social Security, As President Bush Has Proposed, Would Not Only Not Do Anything To Fix The Program, It Will Make It Worse. It Would Weaken Social Security’s Role As A Guaranteed Safety Net.” (Sen. Harry Reid, Op-Ed, “Sen. Reid: Privatizing Social Security Bad Idea,” *Pahrump Valley [NV] Times*, 4/8/05)

Reid: “[S]ocial Security Is Not In Crisis.” (CBS’s “Face The Nation,” 4/10/05)

Reid Said President Should “Forget” About Strengthening Social Security Because “It Will Not Happen.” “President Bush should forget about privatizing Social Security. It will not happen. And the sooner he comes to that realization, the better off we are. We can get to issues that are certainly more in the form of a crisis than a program that has enough money to have it in the form it’s in for the next 50 years.” (Sen. Harry Reid (D-NV), Press Conference, 2/1/05)

House Minority Leader Nancy Pelosi (D-CA):

House Minority Leader Nancy Pelosi (D-CA): “Overwhelmingly, Our Members Understand The Unity That We Have ...” (Amy Fagan, “Defeat Bush Plan First, Pelosi Says,” *The Washington Times*, 5/18/05)

“According To Numerous Aides” Pelosi’s Strategy Is To Wait Until “We See The Whites Of Their Eyes’ Before Offering A Democratic Alternative.” “Democratic leadership aides were roundly critical of Wexler’s timing, saying it clashed with Pelosi’s strategy of waiting until ‘we see the whites of their eyes’ before offering a Democratic alternative, according to numerous aides.” (Hans Nichols, “Wexler’s Social Security Plan Has Some Dems Complaining,” *The Hill*, 5/18/05)

Pelosi: “Democrats Will Continue To Fight. We Will Fight It On The Road, On The Internet, On The House Floor, And On Campuses And Across The Country.” (Rep. Nancy Pelosi, News Conference, 5/12/05)

Pelosi: “We Are Ready For The Fight.” (Rep. Nancy Pelosi, “Pelosi: ‘Social Security Has Represented Dignity And Independence To Millions Of Women,’” Press Release, 5/10/05)

“House Democratic Leader Nancy Pelosi [D-CA] Said Repeatedly That ‘Democrats Know How To Fix Social Security.’ She Offered No Specific Suggestions ...” (Tom Raum, “Bush Pushes Revised Social Security Plan To Auto Plant Workers,” *The Associated Press*, 5/3/05)

Pelosi: “[T]he Democrats are very proud of – they have been willing to take the heat – to keep the focus on what the President is proposing and what the President is proposing is really an assault on the middle class. I don’t know what the middle class ever did to President Bush, but he has it in for them.” (ABC’s “This Week,” 5/1/05)

- **ABC’s George Stephanopoulos To House Minority Leader Pelosi (D-CA): “Democrats Have Not Offered Anything.”** Stephanopoulos: “If you compare it to doing nothing, the benefits under – if you do nothing – are actually lower than under the President’s plan and so far the Democrats have not offered anything.” Rep. Pelosi: “It’s not a question of doing nothing. Democrats are – have a vision to save Social Security first.” Stephanopoulos: “But nobody has seen it.” (ABC’s “This Week,” 5/1/05)

Pelosi: “The President Of The United States Has Not Given Us His Full Plan. But What We Do Know About Some Of Its Provisions, Slash Benefits And Bankrupt The Social Security Trust Fund, Then Why Should We Put A Plan In? We Will Go – Our Plan Is To Stop Him From – Stop Him. He Must Be Stopped.” (Fox News’ “Special Report,” 3/17/05)

Pelosi: “I Think It Is Very Important To Just Say No To What The President Is Trying To Do To Social Security.” (Rep. Nancy Pelosi, Press Conference, 3/3/05)

Pelosi “Has Ordered House Democrats To ‘Oppose, Not Propose,’ Changes To Social Security, According To A Well-Placed Democrat.” (Jonathan Kaplan, “Dean Slams Bush On Town-Hall Meetings,” *The Hill*, 3/10/05)

Pelosi Said Democrats “Are United” Against President’s Social Security Plan. (David Espo, “Democrats: Social Security A Distraction,” *The Associated Press*, 2/1/05)

Sen. Joe Biden (D-DE):

Sen. Joe Biden (D-DE): “[D]iscount Personal Accounts. ... I’ll Be No Party To Anything That Moves American Seniors Back Into Poverty, And That’s What Would Happen.” (CNN’s “Wolf Blitzer Reports,” 4/28/05)

Sen. Patrick Leahy (D-VT):

Sen. Patrick Leahy (D-VT): “[The President] Said That He Won’t Negotiate On Any Of His Points. You Know, That’s Sort Of A Non-Starter. He Said He Wants Privatization And Very Large Cuts For The Working Middle Class.” (Fox News’ “Fox News Sunday,” 5/1/05)

- **Fox News’ Chris Wallace To Sen. Patrick Leahy (D-VT): “But Senator, I Haven’t Heard A Single Idea Of Yours As To How To Fix Social Security.”** (Fox News’ “Fox News Sunday,” 5/1/05)

Sen. Dick Durbin (D-IL):

Sen. Dick Durbin (D-IL) Said The President's Progressive Indexing Proposal Is "Another Bad Idea." (CBS' "Face The Nation," 5/1/05)

Durbin: "If [President Bush] Is Going Out To Push For Privatization, Let's Help Him Pack." (David Espo, "Party Differences Hardening On Social Security," *The Associated Press*, 4/26/05)

Sen. Charles Schumer (D-NY):

Sen. Charles Schumer (D-NY): "I Would Not Support This Plan." (MSNBC's "Live Coverage" 4/28/05)

Sen. Charles Schumer (D-NY): "The More Americans Hear About Bush's Scheme, The Less Likely They Are To Support It." (Martin Crutsinger, "Snow Leads Charge For Bush Soc. Sec. Plan," *The Associated Press*, 4/15/05)

Sen. Carl Levin (D-MI):

Sen. Carl Levin (D-MI) On When He Will Be Willing To Work With President Bush: "'When He Gets Private Accounts Off The Table,' ... Adding That Bush Also Must Stop Making Efforts To 'Privatize' And Must Give Up 'His Effort To Dismantle The Principle Behind Social Security.'" (Mark Lenz, Op-Ed, "The Menu At Sen. Levin's Table," *The [Adrian, MI] Daily Telegram*, 5/9/05)

Levin: "[B]y Privatizing Social Security, We Would Introduce A Crapshoot Into The System: There Will Be Winners, And There Will Be Losers. Under The President's Proposal, Social Security Would No Longer Be Guarantee For All Americans, But A Jackpot For The Lucky." (Sen. Carl Levin, "Statement Of Sen. Carl Levin On The President's State Of The Union Address," Press Release, 2/2/05)

Sen. Tom Harkin (D-IA):

Sen. Tom Harkin (D-IA): "[The American People] Understand That This President Really Doesn't Believe In Social Security." (CNN's "Larry King Live," 4/28/05)

Sen. Tom Harkin (D-IA): "The President's Risky Privatization Scheme Is Not About Strengthening Social Security, It Is About Shrinking It." (Aimee Tabor, "Grassley, Democrats Tangle On Social Security," *The [Burlington, IA] Hawk Eye*, 4/14/05)

Sen. Byron Dorgan (D-ND):

Sen. Byron Dorgan (D-ND): "[T]he Solution To Social Security Has Always Come From The Democrats, Not The Republicans. It Will Always Be That Way. We're The Ones That Will Nature And Protect And Help This System Along. It Will Be Around For A Century And More Because Of Us." (CNN's "Inside Politics," 3/8/05)

Dorgan: "We've Got To Fight On This Issue, And We've Got To Wage An Aggressive Fight." (Sheryl Gay Stolberg, "For Democrats, Social Security Becomes A Defining Test," *The New York Times*, 1/29/05)

Sen. Edward Kennedy (D-MA):

Sen. Edward Kennedy (D-MA) Said No Democrat Plan Until Personal Accounts Are Off Table. ABC's George Stephanopoulos: "And you're pretty clear, so no Democratic plan until private accounts are off the table." Kennedy: "[T]hat would certainly seem to make the sense [sic] to me." (ABC's "This Week," 3/6/05)

Sen. Chris Dodd (D-CT):

Sen. Chris Dodd (D-CT): "If You Did Nothing At All, You'd Leave These Retirees In Better Shape Than What The President Is Suggesting, In My View." (NBC's "Meet The Press," 5/1/05)

Sen. Bill Nelson (D-FL):

Sen. Bill Nelson (D-FL): “Congress Should Reject Any Social Security Plan That Requires Deep Benefit Cuts Or A Massive Increase In Debt.” (Alan Fram, “Senators Ready For Budget Fights Over Social Security, Medicaid,” *The Associated Press*, 3/15/05)

Nelson Promised To Be A Vocal Critic Of The President’s Social Security Plan. “Nelson said he will support Bush on issues such as funding for the Iraq war but will be vocal against Bush’s Social Security plan. The president, he said, needs to negotiate, not dictate, to Congress. ‘I want to see him reach out and start working with the legislative branch and understand the Constitution says you have to govern working with the legislative branch.’” (Tamara Lytle, “Bush Will Feel The Heat After Speech,” *The Bradenton [FL] Herald*, 2/1/05)

Sen. Debbie Stabenow (D-MI):

Sen. Debbie Stabenow (D-MI): “The President’s Plan Does Nothing To Address Long-Term Security ... It Cuts Benefits For Everyone At Some Level And It Adds Trillions Of Dollars To The National Debt.” (“Stabenow: Bush’s Social Security Plan Will Cost More,” *The Cadillac [MI] News*, 3/7/05)

Sen. Blanche Lincoln (D-AR):

Sen. Blanche Lincoln (D-AR): “Said She Hoped Senate Democrats Would Act In Unison To Prevent The Diversion Of Social Security Taxes To Private Investment Accounts. ‘It’s Critical For What We Stand For,’ Lincoln Said.” (Warren Vieth and Richard Simon, “Democrats Vow To Block Bush On Social Security,” *Los Angeles Times*, 2/2/05)

Sen. Ron Wyden (D-OR):

Sen. Ron Wyden (D-OR): “Personal Accounts Unravel The Social Security Safety Net In A Way That Makes It Hard To Find Common Ground.” (David Espo, “Party Differences Hardening On Social Security,” *The Associated Press*, 4/26/05)

Sen. Barack Obama (D-IL):

Sen. Barack Obama (D-IL): “[I]t’s Not The Democrats Who Are Saying No, It’s The American People Who Are Saying No. I Mean, The President Has Been Trying To Sell This Thing For 60 Days Now, And The Support For It Gets Worse And Worse. The Reason Is That The American People Understand Social Security Is That Bedrock Social Insurance That Makes Sure We Don’t Have Seniors In Poverty. People In [Sic] Disabilities Are Not Going To Be Impoverished ...” (CNN’s “Inside Politics,” 4/27/05)

Sen. Ben Nelson (D-NE):

Sen. Ben Nelson (D-NE): “The Public Is Not There. Especially Senior Citizens Aren’t There. I’m Not There. [Personal Accounts] Would Cause A Huge, Huge Borrowing Over 10 Years. The Change Of The Formula Would Ultimately Give Young People, When They Retire On Social Security, Less Than What They Would Under The Current Laws. It Is Not Going To Happen. And It Is Not Going To Happen With A Lot Of Republican Senators.” (MSNBC’s “Hardball,” 4/27/05)

Sen. Joe Lieberman (D-CT):

Sen. Joe Lieberman (D-CT): “President Bush’s Plan To Privatize The Program Would Do Nothing To Save Social Security — In Fact, It Would Hasten Its Day Of Reckoning ...” (Peter Urban, “Democrats Hold Social Security Unity Rally,” *Connecticut Post*, 4/27/05)

Sen. Kent Conrad (D-ND):

Sen. Kent Conrad (D-ND): “I Don’t Think The Package The President Is Pushing At This Point Will Be Successful. I Say That For The Following Reasons. Number One, It Entails Borrowing Another \$4 Trillion Over The Next 20 Years. I Don’t Think That’s The Direction We Want To Go. That Really Just Digs The Hole Deeper Before Starting To Fill It In.” (CNBC’s “Kudlow & Company,” 4/27/05)

Sen. Jon Corzine (D-NJ):

Sen. Jon Corzine (D-NJ): “[Republicans] Don’t Seem To Be Listening With Regard To The Desire Of The Public To Maintain Guaranteed Benefits.” (CNN’s, “Inside Politics,” 3/1/05)

Sen. Jack Reed (D-RI):

Sen. Jack Reed (D-RI): “[Private Accounts] Would Cut Social Security Funding, It Would Weaken The Program And It Would Actually Make Its Problems Much Worse Instead Of Better.” (Jim Baron, “U.S. Sen. Reed Warns On Social Security,” *The Woonsocket [RI] Call*, 3/28/05)

Sen. John Kerry (D-MA):

Sen. John Kerry (D-MA): “We’ve Been Wasting These Months, Frankly, Over This Issue Of The Private Accounts Without Any Real Discussion Of Solvency.” (Fox News’ “Special Report,” 4/26/05)

Sen. Hillary Clinton (D-NY):

Sen. Hillary Clinton (D-NY): “Social Security Is A Problem, But It’s Not In My Top Five ...” (*Thomas M. DeFrank, “Party’s Gotta Fight Back, Sez Hillary,” New York Daily News, 4/12/05*)

Sen. Hillary Clinton (D-NY): “We Want To Be Sure That We Set The Record Straight Here About The Risky Privatization Plan That The President Has Been Pushing Across The Country ... The President’s Plan Would Make Our Problems Worse And Weaken Social Security By Taking Trillions Of Dollars Out Of The Trust Fund And Out Of Our Budget. The Plan Would Cut Benefits By More Than A Third, Even For Those Who Did Not Choose To Have A Private Account.” (Alexandra Marks, “Democrats Fight Back On Social Security,” *Christian Science Monitor*, 3/8/05)

Sen. Maria Cantwell (D-WA):

Sen. Maria Cantwell (D-WA): “I Joined 41 Other Senators Last Week In Sending A Letter To President Bush, Urging Him To Drop The Idea Of Funding Privatized Investment Accounts With Social Security Funds.” (Sen. Maria Cantwell, “Weekly Report From Washington By Sen. Cantwell,” Press Release, 3/7/05)

Sen. Max Baucus (D-MT):

Sen. Max Baucus (D-MT): “[Personal Accounts Are] Such A Bad Idea, The Private Accounts Which Comes Out Of Social Security. That Plan Is Based Not On Economics It’s Based On Ideology.” (CNN’s “Inside Politics,” 4/26/05)

Sen. Barbara Boxer (D-CA):

Sen. Barbara Boxer (D-CA): “Talk About Destroying This Country. [Personal Accounts] Are A Plan That Will Bring Us Down.” (CBS’, “Face The Nation,” 3/6/05)

Sen. Jeff Bingaman (D-NM):

Sen. Jeff Bingaman (D-NM): “The Diversion Of Social Security Revenues To Private Investment Accounts Would Shift Much Of The Risks Of Old-Age Back To Low-Income Seniors, And Pose Very Serious Challenges To Families Who Depend On Social Security’s Survivor And Disability Insurance Benefits.” (Sen. Bingaman, “Sen. Bingaman: Privatizing Social Security Will Hurt New Mexico Seniors,” Press Release, 3/10/05)

Sen. Tim Johnson (D-SD):

Sen. Tim Johnson (D-SD): “Private Accounts Will Do Nothing To Address The Solvency Of Social Security While Adding Up To \$5 Trillion In Additional Debt.” (Scott Waltman, “Aberdeen: Senator To Visit,” *Aberdeen [SD] American News*, 3/17/05)

Rep. Charles Rangel (D-NY):

Rep. Charles Rangel (D-NY): “[A]s Long As [Personal Accounts Are] On The Table, We’re Going To Have A Problem Talking.” (Committee On Ways And Means, U.S. House Of Representatives, Hearing, 5/12/05)

Rangel: “[Personal Accounts Are] One Indicator Of How Vicious And Mean [Bush Administration Officials] Are.” (Meghan Clyne, “Rangel Attacks Social Security Plan,” *The New York Sun*, 4/12/05)

Rangel Said President’s Plan For Social Security Is “Dead.” “Meanwhile, the top Democrat on the House Ways and Means Committee said Bush’s plan to overhaul the Social Security system is ‘dead,’ even before the proposal has been sent to Congress. At the start of the panel’s hearing with Snow, Rep. Charles Rangel, D-N.Y., questioned the seriousness of the White House’s commitment to changing the nation’s retirement system. ‘If you were serious about it, you would have included it in the budget,’ Rangel said.” (William L. Watts and Greg Robb, “Social Security Looms Over Budget,” *CBS MarketWatch*, 2/9/05)

Rep. Sander Levin (D-MI):

Rep. Sander Levin (D-MI): “So Let Me Just Say Clearly, With [Personal Accounts] As The Primary Goal Here Of The Administration, We Stand In Opposition To That ...” (Committee On Ways And Means, U.S. House Of Representatives, Hearing, 5/12/05)

Levin: “A Spoonful Of Artificial Sweetener Won’t Lead Us To Vote For [Personal Accounts].” (Deb Price, “Social Security Proposal Splits GOP,” *The Detroit News*, 5/12/05)

Levin: “We Are Going To Fight. The First Order Of Business Is To Fight Out Whether Social Security Should Be Turned Into A Poverty Or A Welfare Program. ... We Will Not Sit Down And Talk About How To Wreck It.” (Rep. Sander Levin, Press Conference, 5/3/05)

Levin: “We’re Going To Slug It Out With The President And The Republicans Who Want To Turn Social Security Into A Poverty Program.” (James Kuhnhenh, “Bush’s Social Security Proposal Widens Partisan Divide,” *Knight Ridder*, 4/30/05)

Levin: “Far From Resolving The Long-Term Challenges Facing Social Security In 40 To 50 Years, The President’s Privatization Would Make It Worse, And Bring About The Dismantling Of Social Security Through Benefit Cuts And Massive Borrowing.” (Deb Price, “Rivals Shape Public Message,” *The Detroit News*, 3/27/05)

Rep. Pete Stark (D-CA):

Rep. Pete Stark (D-CA): “[I]f [Republicans] Can’t Get Something Done With Social Security, Then It Rests On Their Shoulders.” (Committee On Ways And Means, U.S. House Of Representatives, Hearing, 5/12/05)

Stark: The President’s Plan Will “Dismantle The Guarantee Of Social Security And Turn It Over To Speculators In The Market.” (“Stark Is First To Put Video On Congressional Web Site,” *San Francisco Chronicle*, 2/5/05)

Rep. Steny Hoyer (D-MD):

Rep. Steny Hoyer (D-MD): “Democrats, As You Have Seen, Are Seeing, And Will See, Are Absolutely United In Opposition To The Republican Plan To Privatize One Of The Most Important Programs This Country Has Ever Adopted. We’re Going To Fight, You’re Going To Fight, And We Will Be Together.” (Rep. Steny Hoyer, Social Security Rally With Democratic Members Of The House And Senate, 4/26/05)

Hoyer: “If [President Bush] Thought There Was No Fight Left In The Democratic Party, By Golly, He Was Sadly Mistaken!” (Fox News’ “Special Report,” 4/26/05)

Rep. Adam Smith (D-WA):

Rep. Adam Smith (D-WA): “[Democrats] Do Not Have A Plan That We Put On The Table.” (Fox News’ “Hannity & Colmes,” 4/28/05)

Rep. Jim McDermott (D-WA):

Rep. Jim McDermott (D-WA): The President's Plan "Is As Dead As Disco, As Far As The Democrats Are Concerned ... It's Not Going To Happen ..." (Committee On Ways And Means, U.S. House Of Representatives, Hearing, 5/12/05)

Rep. Marion Berry (D-AR):

Rep. Marion Berry (D-AR): "[President] Bush Has A Plan And He Intends To Do Away With Social Security ... He Is Selling You A Big Rock." (Rainer Sabin, "Arkansans In Congress Criticize Bush Plans For Social Security," *The Associated Press*, 2/25/05)

Rep. Tom Allen (D-ME):

Rep. Tom Allen (D-ME): "[Social Security Is] Not Going Bankrupt. It's Not Exhausted. It's Not In Crisis." (Bart Jansen, "Speech Splits Maine Delegation Along Party Lines," *Portland [ME] Press Herald*, 2/3/05)

Rep. David Obey (D-WI):

Rep. David Obey (D-WI): "[T]o Take Money Out Of Social Security And Put It Into Private Accounts, I Think It's Turning The Whole Country Into Las Vegas." (Rick Olivo, "Obey: Bush Plan Is Threat To Social Security," *The [Ashland, WI] Daily Press*, 3/28/05)

Rep. Rahm Emanuel (D-IL):

Rep. Rahm Emanuel (D-IL): "Democrats [Will] Stick Together ... 'Until The President Realizes That Private Accounts Are A Nonstarter.'" (Joel Havemann, "Most Democrats Opt Against Social Security Brainstorming," *Los Angeles Times*, 5/7/05)

Emanuel: "Well, First Of All, We Want To Be Clear Up Front What The President's Proposed Is A Non-Starter ..." (NPR's "Morning Edition," 3/4/05)

Rep. Ben Cardin (D-MD):

Rep. Ben Cardin (D-MD): "You Don't Strengthen Social Security By Taking The Money Out Of It." (Elizabeth Leis, "Edwards Gets Progressive Award," *The [Annapolis, MD] Capital*, 3/31/05)

Rep. John Dingell (D-MI):

Rep. John Dingell (D-MI): "Our Problem Here Is Less To Save Social Security From Economics Than To Save Social Security From George Bush And His Cutthroats." (Justin Miller, "Michigan Congressman Criticizes Bush For Stalling On Social Security," *University Wire*, 3/21/05)

Rep. Maurice Hinchey (D-NY):

Rep. Maurice Hinchey (D-NY): "Social Security Is Not Broke ... It Will Be More Valuable Years From Now If Nothing Is Done To It. Bush Wants To Take Money Out Of The Social Security Trust Fund To Pay For (Private Savings Accounts). How Do You Strengthen The Program By Making It Weaker?" (Ryan Deuel, "Hinchey Hosts Forum In Binghamton," [Binghamton, NY] *Press & Sun-Bulletin*, 4/12/05)

Rep. Ron Kind (D-WI):

Rep. Ron Kind (D-WI): "The President's Proposal To Overhaul Social Security Would Drain More Than \$2 Trillion From The Social Security Trust Fund Over The Next Decade, Endangering The Benefits Of Current Retirees And Leaving A Legacy Of Debt To Our Children And Grandchildren." (Frederic J. Frommer "Wisconsin Lawmakers Split On Bush Social Security Plan", *The Associated Press*, 2/2/05)

Rep. George Miller (D-CA):

Rep. George Miller (D-CA): “There’s No Pension Plan In America That Can Say That It Can Provide 75 Percent Of Benefits Until 2052 ... I See This As A Scam, Where You Move The Money Of The Working Class To The Financial Markets ...” (Jason Massad, “Miller Blasts Plans For Social Security,” *The [Vacaville, CA] Reporter*, 4/3/05)

Rep. Tom Udall (D-NM):

Rep. Tom Udall (D-NM): “We Are Going Into This Situation With The President Putting Forward, I Think, Basically A Nonstarter.” (Fox News’ “Special Report,” 3/29/05)

Rep. Artur Davis (D-AL):

Rep. Artur Davis (D-AL): “I Certainly Have Made It Very Clear That I Am Opposed To The President’s Plan.” (Ana Radelat, “Ala. Lawmakers Not Sold On Bush’s Social Security Plan,” *Gannett News Service*, 3/8/05)

Rep. Rick Boucher (D-VA):

Rep. Rick Boucher (D-VA): “[President Bush Is] Suggesting There’s A Crisis That Does Not Exist. He’s Using This Phantom Funding Crisis To Justify A Privatization Proposal Which, If There Were A Crisis, Would Only Make It Worse.” (Peter Hardin, “In VA., A Mixed Reaction To Bush,” *Richmond Times Dispatch*, 2/3/05)

Rep. Gene Taylor (D-MS):

Rep. Gene Taylor (D-MS): “It’s About Credibility ... So When This Guy [President Bush] Says, ‘We Have A Crisis In Social Security And Trust Me To Fix It,’ The Credibility Isn’t There.” (Jackie Calmes, “Bush Loses Key Group On Social Security,” *The Wall Street Journal*, 3/14/05)

Rep. Earl Pomeroy (D-ND):

Rep. Earl Pomeroy (D-ND): “The Plan To Change Social Security’s Annual Inflation Adjustment Is By Far The Most Significant Change Being Advanced In The Debate Over Social Security’s Future. ... In My View, It Is The ‘Dirty Little Secret’ Which, Over Time, Arrives At The Reformers’ True Objective: Sharply Reduced Social Security Benefits For Our Children And Grandchildren – Even When The Value Of Their New Private Accounts Is Considered.” (Rep. Earl Pomeroy, “What’s In The Details Of Plans To Reform Social Security,” *Roll Call*, 3/7/05)

Rep. John Salazar (D-CO):

Rep. John Salazar (D-CO): “We Cannot Forget The Lessons That We Learned From Enron: A Retirement That Relied On The Stock Market Is Simply Not A Secure Benefit ...” (Glen Johnson, “Bush Urges Congress To Begin Social Security Action Over Easter Recess,” *The Associated Press*, 3/16/05)

Rep. Michael Michaud (D-ME):

Rep. Michael Michaud (D-ME): “We Have A Health Care Crisis In This Country – Not A Social Security Crisis.” (“Grandson Says FDR Would Oppose Social Security Privatization,” *Associated Press*, 3/1/05)

Rep. Loretta Sanchez (D-CA):

Rep. Loretta Sanchez (D-CA): “I’ve More Important Things To Ask About Than This Silly Social Security Thing.” (“Capital Living,” *The Hill*, 4/20/05)

Rep. Linda Sanchez (D-CA):

Rep. Linda Sanchez (D-CA): “[The President’s Plan For Social Security] Puts Millions Of American Working Families At Risk Of Being Left Out In The Cold During Their Golden Years ... By Using Private Accounts, President Bush Is Gambling With Future Generations’ Security In Order To Line The Pockets Of Wall Street And His Wealthiest Donors.” (Lisa Friedman, “Local Politicos Divided,” [Los Angeles] *Daily New*, 2/3/05)

Rep. Lane Evans (D-IL):

Rep. Lane Evans (D-IL): “There Is No Crisis When It Comes To Social Security ... But It Certainly Will Face One If Privatization Occurs.” (Dori Meinert, “Illinois Lawmakers Split On Bush Speech,” *Copley News Service*, 2/2/05)

Rep. Joe Baca (D-CA):

Rep. Joe Baca (D-CA): “[The President] Wants To Use The Darwin Theory Of Survival Of The Fittest As The Formula For Revamping [Social Security.]” (Lisa Friedman, “Area Reps Laud Talk,” *San Bernardino Sun*, 2/3/05)

Rep. Brian Baird (D-WA):

Rep. Brian Baird (D-WA): “[T]he President’s Proposal On Social Security May Take A Guaranteed Benefit And Turn It Into A Guaranteed Gamble.” (Ellyn Ferguson, “Northwest Lawmakers Have Doubts About Bush Social Security Plan,” *Gannett News Service*, 2/3/05)

Rep. Shelley Berkley (D-NV):

Rep. Shelley Berkley (D-NV): “Latino Families In Southern Nevada Will Be Left Vulnerable By The President’s Proposal To Slash Benefits More Than 40 Percent And By The Plan’s \$5 Trillion Price Tag.” (Juliet V. Casey, “Democrats At Strip Event Blast Social Security Changes,” *Las Vegas Review-Journal*, 3/1/05)

Rep. Allyson Schwartz (D-PA)

Rep. Allyson Schwartz (D-PA) Said The President’s Social Security Plan Would “‘Really Dismantle Social Security As You Know It’ For Children And Grandchildren, And Would Lead To Great Inequities Among The Generations.” (Robin Toner, “Appeal To Young On Pension Plan Draws The Attention Of Their Elders,” *The New York Times*, 2/23/05)

Rep. Henry Cuellar (D-TX):

Rep. Henry Cuellar (D-TX): “Whether You Want To ‘Participate’ Or Not, You Will See Cuts In Future Benefits By More Than 40 Percent ... If The System Needs More Money, Why Are We Going To Take Money To Fix The Solution?” (Amy Seiford, “Cuellar Discusses Social Security Reform,” *Wilson County [TX] News*, 4/6/05)

Rep. Rosa DeLauro (D-CT):

Rep. Rosa DeLauro (D-CT): “We Are United In Our Commitment To Strengthen Social Security, Not Privatize It. We Will Work To Improve The Retirement Security Of All Americans And Will Oppose Any Scheme For Deep Benefit Cuts Or Massive Debt To Fund Risky Private Accounts.” (Peter Urban, “Democrats Hold Social Security Unity Rally,” [Bridgeport] *Connecticut Post*, 4/27/05)

Rep. Jim Clyburn (D-SC):

Rep. Jim Clyburn (D-SC): “The Largest And Most Sustained Applause Came In The Speech Where [President Bush] Made The Biggest Misrepresentation Of The Facts ... I Don’t Understand Why Those People Sit There And Applaud That. They Know Better.” (Lauren Markoe, “Bush Speech Reached Both Sides Of Argument,” *The [SC] State*, 4/19/05)

Rep. Leonard Boswell (D-IA):

Rep. Leonard Boswell (D-IA): “[P]rivate Accounts Have An Estimated Cost Of Trillions Of Dollars. These Massive Transition Costs Would Come At The Expense Of Social Security’s Solvency.” (Aimee Tabor, “Grassley, Democrats Tangle On Social Security,” *The [Burlington, IA] Hawke Eye*, 4/14/05)

Rep. Debbie Wasserman (D-FL):

Rep. Debbie Wasserman Schultz (D-FL): “Congressman Wexler’s Plan Was Developed And Put Forward Only By Himself ... The Rest Of The Democratic Caucus Is In Lockstep. We Want To Make Sure The Focus Remains On Saving Social Security.” (Diane C. Lade, “Wexler Calls For Higher Social Security Taxes On Top Earners,” *South Florida Sun-Sentinel*, 5/17/05)

Wasserman: “We’ll Talk About Any Option They Want, But Private Accounts Need To Be Set Aside ...” (William Gibson, “Shaw Gains Traction With His Fix For Social Security,” [FL] *Sun-Sentinel*, 4/11/05)

Rep. Stephanie Tubbs Jones (D-OH):

Rep. Stephanie Tubbs Jones (D-OH): “For Minorities In This Country, [The President’s] Privatization Plan Would Jeopardize Protections That Have Come And Continue To Be Of Particular Importance To People Of Color.” (Joyce Jones, “Privatizing Social Security,” *Black Enterprise*, 3/1/05)

Rep. Emanuel Cleaver (D-MO):

Rep. Emanuel Cleaver (D-MO): “Social Security Is A Covenant That Should Not Be Broken ...” (Andre Riley, “Cleaver Speaks On Social Security,” *The [Eastern Jackson County Missouri] Examiner*, 3/24/05)

Rep. Albert Wynn (D-MD):

Rep. Albert Wynn (D-MD): “Social Security Was Designed To Be A Guaranteed Benefit. The Stock Market Is By Definition Risky. It’s An Investment.” (Joshua Partlow and Jay Mathews, “Voters Voice Sentiments On Social Security,” *The Washington Post*, 3/17/05)

SOCIAL SECURITY

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The NOdometer

The NOdometer

\$1,718,756,195,560

What saying no to Social Security reform is costing the next generation

The Social Security NOdometer measures how much saying no to Social Security reform is costing future generations of Americans.

The NOdometer display shows the outstanding debt owed to the Social Security Trust Fund. Congress will have to raise taxes, reduce Social Security benefits, reduce other spending, or borrow more when it comes time to repay the Trust Fund—starting in 2017, according to the Social Security Administration.

Without reform, future taxpayers will be paying down the Trust Fund debt until 2041. But things don't just get better then. When the trust fund is finally paid off in full, Social Security will face annual deficits just under \$400 billion (in 2004 dollars), relative to the benefits that it has promised. Under present law, Social Security would have to cut benefits across the board by about 25 percent. The only alternatives are raising taxes, cutting away entire government departments, or borrowing more money.

For Social Security, time is money. The longer lawmakers delay fixing Social Security, the more painful the fix will be. This year alone, the debt owed to Social Security will increase by over \$60 billion and the system's 75-year deficit will increase by over \$600 billion.

It's already too late to say no to Social Security reform.

Put It On Your Site

To put the NOdometer on your site, just include this code in your pages or templates:

```
<SCRIPT language=JavaScript src="http://www.heritage.org/research/features/socialsecurity/js/SSClock.js"></SCRIPT>
```

Be sure to remove the linebreak so that the URL within the SCRIPT tags is all on one line.

OF ADDITIONAL INTEREST

For the Hill

[Contact Us](#)
[Chart Room](#)
[Social Security Calculator](#)
[Social Security by District](#)
[Social Security State Reports](#)

For Media

[Contact Us](#)
[All Heritage Experts](#)
[Press Releases](#)
[Social Security Calculator](#)
[Social Security State Reports](#)

Required Reading

[How To Fix Social Security](#)
[Personal Accounts and Peace of Mind in Retirement](#)
[Social Security Basics](#)
[Top 10 Myths About Social Security Reform](#)
[How the Trust Fund Really Works](#)
[The Truth About Personal Accounts and Transition Costs](#)
[All Social Security Research](#)

Research by Topic:

Select Topic...

Charts

[Social Security Can't Pay Promised Benefits](#)
[A History of Payroll Tax Increases](#)
[Seniors Are Living Longer](#)
[Americans Are Getting Older](#)
[Fewer Workers, More Retirees](#)
Chart Room: All Charts

Fliers

[A Reform FAQ \(2-page\)](#)
[A Reform FAQ \(1-page\)](#)
[Using the Social Security Calculator](#)
[Six Principles for Reform](#)
[Chile and International Reform](#)
[Is Social Security in Trouble?](#)
[Parker: Blacks and Social Security](#)

Our Experts

[David C. John](#)
Research Fellow, Social Security
[Allison Fraser](#)
Director, Roe Institute for Economic

The President Promotes New Medicare Prescription Drug Benefit



Recently, President Bush Delivered Remarks At The Department Of Health And Human Services To Inform Medicare Beneficiaries About The New Prescription Drug Benefit Available To Them Beginning In January 2006.

- **The President Is Kicking Off A National Outreach Effort.** This campaign will bring medical, community, and local partners together with the Federal government to educate seniors and Americans with disabilities about the new prescription drug benefit. All beneficiaries will receive a new handbook, "Medicare and You," in October, containing specific information about the new prescription drug plans available. Those with questions can also call 1-800-MEDICARE or visit www.medicare.gov for answers.
- **Millions Of Americans Are Already Taking Part In Medicare's Expanded Range Of Health Care Services.** Medicare offers a variety of new programs, including: a prescription drug discount card; preventive care like the "Welcome to Medicare" physical; and cardiovascular and blood sugar screening that can help identify and prevent obesity, diabetes, high blood pressure, and heart disease.

Background: President Bush Wants Seniors And Americans With Disabilities To Know About New Medicare Benefits

New Medicare Coverage Will Help All Medicare Beneficiaries Pay For Prescription Drugs.

- **Everyone On Medicare Can Get Help, No Matter How They Pay For Their Drugs.** Medicare will provide an average of more than \$1,300 in federal help to each beneficiary.
- **Medicare Will Provide Extra Help To Beneficiaries With High Prescription Costs.** Starting in January, Medicare also will cover 95 percent of all prescription costs once beneficiaries spend \$3,600 of their own money each year.

New Medicare Coverage Will Offer Everyone On Medicare Better Choices.

- **Medicare Advantage Plans Allow Seniors And Americans With Disabilities To Choose Their Plans And Get Better Drug Benefits.** Seniors and Americans with disabilities who enroll in Medicare Advantage Plans can choose the plan that works best for their needs and lifestyle, and will save an average of \$100 each month over traditional Medicare.
- **Medicare Drug Benefits Offer Choice And Flexibility.** Everyone on Medicare will be able to choose brand name drugs or generic drugs – and pick them up at local pharmacies or receive them by mail.
- **Seniors Can Keep Retiree Plans If They Wish.** Seniors with good retiree drug coverage from a former employer or union can choose to keep those benefits and count on Medicare to help them save on premiums, or join a Medicare prescription drug plan.

New Medicare Coverage Will Provide Extra Help To Beneficiaries With Limited Income And Resources.

- **Medicare Will Pay Nearly All Of Low-Income Beneficiaries' Drug Bills.** About one-third of seniors will be eligible for a Medicare drug benefit without premiums, deductibles, or gaps in coverage. Co-payments will amount to no more than \$5 for most people, and more than 95 percent of their drug bills will be covered.
- **Eligibility Forms Are Available Now.** Millions of current Medicaid beneficiaries will be automatically enrolled, and subsidy applications have been mailed to many low-income seniors and Americans with disabilities who are likely to be eligible. Forms are also available at locations around the country, including over 30,000 pharmacies. No financial documents or complicated records are required.
- **Medicare Is A Critical Safety Net For Americans With Disabilities.** Millions of Americans with developmental and physical disabilities, mental illness, and HIV/AIDS count on Medicare, and new Medicare coverage brings modern medicine to them.



President Discusses New Medicare Prescription Drug Benefit

U.S. Department Of Health And Human Services

Washington, D.C.

1:22 P.M. EDT

THE PRESIDENT: Thank you very much. Please be seated -- unless you don't have a seat. (Laughter.) Thanks for coming, it's glad -- I'm glad to be back to the Department of Health and Human Services. The last time I visited here was to witness Secretary Leavitt's swearing in. I said I'd be coming back to check up on him. (Laughter.) I'm back. (Laughter.) He's doing a fine job; really appreciate your leadership. (Applause.)

I'm grateful to the men and women of this Department for their compassion and service. Thanks for serving our country. I want to thank you all for helping us launch a vital effort to bring greater peace of mind to America's seniors and people with disabilities. Over the next 11 months we will spread important news to everyone receiving Medicare. This great and trusted program is about to become even better. Starting this November, every American on Medicare can sign up to get help paying for their prescription drugs.

I appreciate Mike Leavitt's understanding of how important it is to spread the news. I also want to thank my friend, Mark McClellan, for doing such a fine job at the Centers of Medicare and Medicaid Services. I want to thank you all who work there with him. You've got an important job now. We've passed good law, now it's important for people to get the news. I want to thank members of my Cabinet who are here who are going to help spread the news to their Departments: Secretary Elaine Chao, Secretary Alphonso Jackson, Secretary Norm Mineta, Secretary Jim Nicholson. Thank you all for coming. As well as Commissioner Jo Anne Barnhart of the Social Security Administration. Welcome, thank you all for being here. (Applause.)

I appreciate so very much all the other administration officials who are here. I want to thank an old family friend of ours, Dr. Louis Sullivan, former Secretary of HHS, for joining us. Louis, I was looking at that picture up there -- (laughter) -- looks like him. (Laughter.) Tell me who the painter was -- I'd like one to look like me one of these days. (Laughter and applause.)

I want to thank Senator Craig Thomas, from Wyoming, for joining us. Thank you for being here, Senator. I also want to thank former Senator John Breaux for joining us. I can remember John was one of the leaders in the United States Senate in trying to bring people together to reform Medicare. I want to thank you for your help on this, I want to thank you for being here. I particularly want to thank the leaders and representatives of the health care, faith-based and community organizations who are all going to help spread the word to our seniors about what is available. I appreciate you being here, I want to thank you for your compassion and your care for America's seniors.

I also want to welcome the Medicare beneficiaries who are here in attendance. Listen carefully, I think you're going to like what you hear. Forty years ago -- think about that, 40 years ago this summer, President Lyndon Baines Johnson, from the great state of Texas -- (laughter) -- signed a law creating Medicare to guarantee health care for seniors and Americans with disabilities. In the decades since that historic act, Medicare has spared millions of our citizens from needless suffering and hardship. Medicare is a landmark achievement of a compassionate society; it is a basic trust that our government will always honor. Medicare has also faced challenges. For decades, medicine advanced rapidly and grew to include innovations like prescription drugs -- but Medicare didn't keep pace. As a result, Medicare recipients were left with a program based on the medicine of the 1960s. For example, Medicare would pay \$28,000 for ulcer surgery -- but not \$500 for prescription drugs that eliminate the cause of most ulcers. Medicare would pay more than \$100,000 to treat the effects of a stroke -- but not \$1,000 for a blood-thinning drugs that could prevent strokes. That's an outdated system and it made no sense for American seniors. It made no sense for Americans with disabilities. And it made no sense for American taxpayers.

Year after year, politicians pledged to reform Medicare -- but the job never got done -- until 2003, when members of both political parties came together to deliver the greatest advance in health care for seniors since the founding of Medicare. This new law is bringing preventive medicine, better health care choices, and prescription drugs to every American receiving Medicare. The Medicare Modernization Act renewed the promise of Medicare for the 21st century -- and I was honored and proud to sign that piece of legislation. (Applause.)

Over the past year, millions of Americans have started to benefit from the new Medicare program. Every senior entering Medicare is now eligible for a "Welcome to Medicare" physical. It's a fundamental improvement and it makes a lot of

sense. Medicare patients and doctors are now able to work together to diagnose health care and health concerns right away. And there's a simple reason -- the sooner you diagnose a problem, you can treat problems before they become worse. Medicare now covers preventive screenings that can catch illness from diabetes to heart disease. Medicare is covering innovative programs to help seniors with chronic diseases like high blood pressure. I urge every senior to take advantage of these new benefits in Medicare.

In the 21st century, preventing and treating illness requires prescription drugs. Seniors know this -- yet because Medicare did not cover prescription drugs, many seniors had to make painful sacrifices to pay for medicine. In my travels around the country, I met seniors who faced the agonizing choice between buying prescription drugs and buying groceries. I met retirees who resorted to cutting pills in half. I met Americans who were forced to spend their retirement years working just to pay for their prescriptions. These hardships undermined the basic promise of Medicare -- and thanks to the Medicare Modernization Act, those days are coming to an end. (Applause.)

To provide immediate help with drug costs, the new Medicare law created drug discount cards. Over the past year, millions of seniors have used these cards to save billions of dollars. In Missouri, I met a woman who used her discount card to buy \$10 worth of drugs for \$1.14. She was happy with the card. Another senior went to her pharmacy and spent under \$30 for medicine that used to cost about four times as much. And here is what she said: "When he got out my medicine card and told me what the savings was, I about dropped my false teeth." (Laughter.)

The Medicare Modernization Act created a prescription drug benefit to replace drug discount cards and bring savings and peace of mind to all 42 million Medicare beneficiaries. The new benefit will help every senior, as well as Americans with developmental and physical disabilities and mental illness and HIV/AIDS. Congress scheduled the prescription drug benefit to start in January of 2006. Thanks to the leadership of Secretary Leavitt and Mark McClellan, we are on track to deliver prescription drug coverage on time to every American senior.

As Medicare's professional staff prepares to implement the prescription drug benefit, we also must ensure that seniors are ready to take full advantage of their new opportunities. And that's why I've come here today. It's important for everyone to understand that Medicare prescription drug coverage is voluntary. Seniors can choose to take advantage of the benefit, or they can choose not to. It's up to them.

And there's plenty of time to make the decision. Starting on October 1st, Medicare beneficiaries will begin getting information about the new prescription drug plans available. They will receive a handbook called, "Medicare and You," that includes detailed information about their options. If they like what they see and choose to get prescription drug coverage, they can enroll anytime between November 15th of this year and May 15th of next year. Beneficiaries should make their decisions as soon as they are ready, because enrolling before May will ensure that they pay the lowest possible premiums.

The federal government will work hard to ensure that Medicare beneficiaries understand their options. I've asked every agency that touches the lives of seniors or disabled Americans to devote resources to explaining the prescription drug benefit. And we need the help of people in the private sector, as well. The only way to reach everyone on Medicare is to mobilize compassionate citizens in communities all over the country. And that's why we've come together this afternoon to kick off a nationwide outreach campaign. Over the next 11 months, we will unite a wide range of Americans -- from doctors, to nurses, to pharmacists, to state and local leaders, to seniors groups, to disability advocates, to faith-based organizations. Together, we will work to ensure that every American on Medicare is ready to make a confident choice about prescription drug coverage, so they can finally receive the modern health care they deserve.

As we spread the word about the new opportunities in Medicare, we will make it clear that prescription drug coverage will provide greater peace of mind for beneficiaries in three key ways.

First, the new Medicare coverage will provide greater peace of mind by helping all seniors and Americans with disabilities pay for prescription drugs -- no matter how they pay for medicine now. On average, Medicare beneficiaries will receive more than \$1,300 in federal assistance to pay for prescription drugs. Seniors with no drug coverage and average prescription expenses will see their drug bills reduced by half or more. The new Medicare benefits will also provide special help for seniors with the highest drug costs. Starting in January, Medicare will cover 95 percent of all prescription costs after a senior has spent \$3,600 in a year. Seniors will never be able to predict what challenges life will bring -- but thanks to Medicare, they can be certain they will never have their entire savings wiped out to pay for prescription drugs. Second, the new Medicare coverage will provide greater peace of mind by offering beneficiaries better health care choices than they have ever had. Seniors will be able to choose any Medicare prescription drug plan that fits their needs

and their medical history. Seniors who want to keep their Medicare the way it is will be able to do so. Seniors using Medicare Advantage to save money will be able to keep their plans and get better drug benefits. Seniors who receive drug coverage from a former employer or union can count on new support from Medicare to help them keep their good benefits. Every prescription drug plan will offer a broad choice of brand name drugs and generic drugs. Seniors will also have the choice to pick up their prescriptions at local pharmacies or to have the medicine delivered to their home. These options might sound familiar to some of you here at the Department -- it's got to sound familiar to members of the United States Congress -- after all, these health care choices, these kind of choices are available for people who work here in Washington. And if these choices are good enough for people who work here in Washington, they ought to be good enough for the seniors all across the country. (Applause.)

Third, the new Medicare coverage will provide greater peace of mind by extending extra help to low-income seniors and beneficiaries with disabilities. For years, beneficiaries on the tightest budgets received no help from Medicare to pay for prescription drugs. Because we acted, about a third of American seniors will be eligible for a Medicare drug benefit that includes little or no premiums, low deductibles, and no gaps in coverage. On average, Medicare will pick up the tab for more than 95 percent of prescription drug costs for low-income seniors. (Applause.) To receive this important assistance, low-income seniors have to fill out a straightforward, four-page application form with, at most, 16 questions. No financial documents or complicated records are required, and the forms are easy to obtain. In fact, millions of applications have already been mailed to low-income seniors. If you or a family member receives one of these, I urge you to fill it out and send it in. Some of the seniors groups that With all of these essential reforms, the Medicare Modernization Act created a new commitment to seniors and Americans with disabilities -- and all of you are helping to make good on that commitment. By lending a hand to neighbors in need, you are strengthening your communities and showing the great compassion of our country. Many organizations have already launched innovative efforts to reach seniors. And I'll continue to call on people to put forth innovative strategies to reach our seniors.

For example, in Wisconsin and Indiana, more than 270 community leaders are coming together to find ways to get information to rural seniors. In Chicago, a food pantry, the Catholic Archdiocese, and a news publication are all working to get the word out about the new Medicare benefits. The federal Department of Transportation, under the leadership of Norm Mineta, is working with local agencies to post Medicare information in buses and in highway rest stops. Thousands of pharmacies are working with Medicare to provide information for seniors. Countless other organizations are holding community events and connecting with seniors face-to-face, so Medicare recipients can get their questions answered and make informed choices about prescription drug coverage. In other words, we're on a massive education effort, starting today. And I'm asking for America's help. (Applause.)

You can help by making a call to your mother or father and tell them what's available. You can help by showing an older neighbor how to fill out a form. You can help by spending an afternoon at the local retirement home. And by the way, when you help somebody, you're really helping yourself. You can get information 24 hours a day calling 1-800-MEDICARE. It's pretty easy to remember, 1-800-MEDICARE. Or you can use the Internet to visit the official Medicare website at medicare.gov. All you've got to do is type in "medicare.gov" and you're going to find out what I'm talking about. Remember that information about prescription drug plans will be available starting October 1st, and November 15th is the first day to sign up for the new coverage. You need to circle those dates on your calendar, and tell the seniors in your life that modern medicine is on the way. This is a good deal and people need to take advantage of it. (Applause.)

I think the passage of the Medicare Modernization Act is a good lesson for all of us who work in this city. You know, it wasn't all that long ago the leaders who talked about Medicare reform faced a lot of name-calling -- to say the least. When Congress finally rose above politics and fulfilled its duty to America's seniors, it showed what's possible in Washington, D.C. We need that same spirit -- (applause.) I mean, this bill is proof that Americans really aren't interested in seeing one party win and another party lose. What Americans want to see is people coming together to solve problems, that's what they want to see. (Applause.) We had a problem in Medicare -- it wasn't working the way it should; it wasn't modern, it wasn't answering the needs of our seniors. And by coming together, we have done our job here in Washington. And as a result of working together, we have changed Medicare for the better. Medicare is now modern, reformed and compassionate. And I urge all seniors -- all seniors and Thank you all for coming. God bless.

END 1:43 P.M. EDT

Coming
January 1, 2006

Medicare Prescription Drug Coverage

Important Dates for People with Medicare during 2005 and 2006

MAY 2005	JUNE 2005	JULY 2005	AUGUST 2005
<ul style="list-style-type: none"> - Social Security Administration (SSA) begins mailing out and accepting applications for those who need extra help (low income subsidy) and begins holding local events in communities across the country. - Medicare will mail letters to people who are automatically eligible for extra help with drug plan costs. 	<ul style="list-style-type: none"> - Local community events continue through December. 	<ul style="list-style-type: none"> - "Your Guide to Medicare Prescription Drug Plans" is available by calling 1-800-MEDICARE or by visiting www.medicare.gov. - SSA begins processing applications. Help is available at 1-800-772-1213 or www.socialsecurity.gov. 	<ul style="list-style-type: none"> - SSA begins sending letters informing those who applied for extra help whether they qualify.
SEPTEMBER 2005	OCTOBER 2005	NOVEMBER 2005	DECEMBER 2005
<ul style="list-style-type: none"> - Medigap (supplemental) insurance companies send notices to policyholders with drug coverage informing them of their options. 	<ul style="list-style-type: none"> - Comparative information about Medicare prescription drug plans will be available at www.medicare.gov or 1-800-MEDICARE. - <i>Medicare & You 2006 Handbook</i> containing all the necessary information is mailed to all Medicare households. - Employers/unions who provide prescription drug coverage to their retirees will directly notify them about their new prescription drug choices. - Medicare will mail a letter to all people with both Medicare and Medicaid about how they will be automatically enrolled in a drug plan. 	<ul style="list-style-type: none"> - Enrollment for the Medicare prescription drug plan begins November 15. People must call the company offering the plan to enroll or enroll through 1-800-MEDICARE. 	<ul style="list-style-type: none"> - People should enroll in a Medicare prescription drug plan now to pay lower premiums and to receive prescription drug coverage when it begins January 1, 2006.
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p><i>Enrollment Begins November 15, 2005</i></p> </div>			
JANUARY 2006	FEBRUARY 2006	MARCH 2006	APRIL–MAY 2006
<ul style="list-style-type: none"> - Medicare prescription drug coverage begins January 1 for those who enrolled in a plan by December 31, 2005. - Medicare begins to provide prescription drug coverage for those who have Medicare and full Medicaid coverage. 	<div style="border: 1px solid black; padding: 10px;"> <p><i>Enrollment continues. Medicare prescription drug coverage begins in the following month.</i></p> </div>		<ul style="list-style-type: none"> - Medicare will send a reminder to those who have not enrolled in a Medicare prescription drug plan. - May 15 is the last day to enroll in a Medicare prescription drug plan and pay lower premiums. - Facilitated enrollment of those who qualify for extra help and have not yet chosen a plan; plan effective June 1.

Online qualifier tools available at www.medicare.gov and www.socialsecurity.gov allow people to determine whether they may be eligible to receive extra help before they apply. Online applications for extra help is available July 1 on the Social Security Web site. People can call 1-800-Medicare (1-800-633-4227) to find out about local State Health Insurance Assistance Programs.



Quick Facts about Medicare's New Coverage for Prescription Drugs **If You Applied for Extra Help**

You've applied for extra help with Medicare prescription drug costs using Social Security's application, so what happens next?

Social Security will begin processing applications for extra help on July 1, 2005. If your online or paper application is not complete, Social Security will call you or write to you asking for the missing information. Your application will be processed as quickly as possible, and you will receive a letter in the mail telling you if you qualify.

What do I need to know?

- Applying for extra help is just one step. You still need to join a Medicare prescription drug plan to get Medicare prescription drug coverage.
- Even if you don't qualify for extra help, you should still consider joining a Medicare prescription drug plan. If you join a Medicare prescription drug plan, Medicare pays about half of your prescription drug costs, even without any extra help.
- You can join a Medicare prescription drug plan November 15, 2005 through May 15, 2006, but the sooner you join the sooner you'll start saving money on your prescription drug costs. If you join a plan by December 31, 2005, your coverage will begin January 1, 2006. If you join after January 1, 2006, your coverage starts the first of the month after the month you join.



How can I get more information?

If you need more information about your application for extra help,

- call Social Security at 1-800-772-1213. TTY users should call 1-800-325-0778.
- visit www.socialsecurity.gov on the web.

If you haven't yet applied for extra help with your Medicare prescription drug costs, you should know that many people will receive an application for extra help in the mail. If you think you qualify, fill it out and return it in the enclosed postage paid envelope. Also, Social Security has a tool available online where you can see if you may qualify for help with your prescription drug costs. In addition to the tool, beginning July 1, 2005, you can apply for the extra help online.

For more information about Medicare prescription drug coverage,

- read the "Medicare & You 2006" handbook that you get in the mail in October 2005.
- visit www.medicare.gov on the web. Select "search tools" to get personalized information.
- call your State Health Insurance Assistance Program (see your copy of the "Medicare & You 2006" handbook for their telephone number).
- call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.
- look for local Medicare-related events.



Quick Facts about Medicare's New Coverage for Prescription Drugs for people with **limited income and resources**

Starting January 1, 2006, Medicare will offer prescription drug coverage for all people with Medicare. If you have Medicare and have limited income and resources, you may qualify for extra help paying for prescription drugs.

What do I need to know?

- If your annual **income** is below \$14,355 for a single person (or \$19,245 if you are married and living with your spouse), you may qualify for extra help. Slightly higher income levels may apply if you provide ½ support to other family members living with you, or if you work or reside in Alaska and Hawaii.
- And if your **resources** (including your savings and stocks, but not counting your home or car) are under \$11,500 (for a single person) or under \$23,000 (for a married couple) you may qualify for extra help paying for your Medicare prescription drug costs.
- You can apply for this extra help through the Social Security Administration or your State Medical Assistance Office. Social Security is mailing the application for extra help to those who may qualify. If you receive an application, fill it out and return it in the enclosed postage paid envelope.
- The amount of extra help you get depends on your income and resources.
- You still need to join a Medicare prescription drug plan for Medicare to pay for your drug costs.
- You can join a Medicare prescription drug plan from November 15, 2005 through May 15, 2006. If you join by December 31, 2005, your coverage begins January 1, 2006. If you join after January 1, 2006, your coverage starts the first day of the month after the month you join.
- If you qualify for extra help, you will have continuous drug coverage and will pay only a small amount for your prescriptions.



How do I get more information?

For more information on who can get extra help with prescription drug costs and how to apply, call the Social Security Administration at 1-800-772-1213, or visit www.socialsecurity.gov on the web. TTY users should call 1-800-325-0778.

You will receive detailed information from Medicare about your choice of Medicare prescription drug plans in October 2005. You can look at the “Medicare & You 2006” handbook, visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

How do I get this Prescription Drug Coverage?

You may sign up for a prescription drug plan starting on November 15, 2005.

If you sign up by December 31, 2005 your coverage will start on January 1, 2006.

Please note: If you sign up **after** December 31, 2005, your coverage will start the month after you sign up.

Remember you must join a plan if you want to get this coverage.

Joining will help you get the medicines you need now and in the future.



Important Dates for Medicare Prescription Drug Coverage:

October 2005
Medicare & You handbook with more information on how to sign up.

November 15, 2005
Sign up starts.

January 1, 2006
Coverage starts for those who signed up by December 31, 2005.

May 15, 2006
Last day to sign up in 2006. Remember to join by this date or you will have to wait until November 15, 2006 to join and you may pay higher premiums.



MedicareRx
Prescription Drug Coverage

Partnership for
Clear Health Communication

CMS PUB No. 11141
June 2005

MedicareRx
Prescription Drug Coverage

Prescription drug coverage is available for all people in Medicare.

Sign up starts on November 15, 2005

Look inside for answers to these three questions:

- What does the Medicare Prescription Drug Coverage do for me?
- How do I get this Prescription Drug Coverage?
- How do I sign up?

What does the Medicare Prescription Drug Coverage do for me?

- ✓ It provides you with insurance coverage for prescription drugs.
- ✓ It pays for both brand name and generic drugs.
- ✓ It offers a choice of plans.

As with other types of insurance, your monthly premium and out of pocket costs may be different in different plans.

MedicareRx
Prescription Drug Coverage

How do I sign up?

In October 2005, you will receive more information from plans in your area.

This information will help you:

- Check if your prescription drugs are covered in the new plans.
- Find out which pharmacies the drug plans in your area use to make sure they are convenient.
- Determine if the monthly fees work for you.

All these things are important to help you choose a plan.



Next steps to pick a plan that works for you.

Sign up starts on November 15, 2005.

Sign up by December 31, 2005 to get coverage beginning January 1, 2006.

May 15, 2006 is the last day to sign up for coverage in 2006.

For more information visit www.medicare.gov or call toll free 1-800-MEDICARE (1-800-633-4227)



President Bush Addressed the Nation On The One-Year Anniversary Of The Transfer of Sovereignty To The Iraqi People

Tuesday, June 28, 2005

One-Year Anniversary on Transfer of Sovereignty to Iraqi People

“The progress in the past year has been significant - and we have a clear path forward”

- Iraqis held a landmark election in January where over eight million Iraqis voted in direct defiance of the threats issued by the terrorists.
- The elected Iraqi officials are now drafting a Constitution that will be voted on by the Iraqi people in a national referendum.
- Over 168,000 Iraqi Security Forces have been trained and equipped and are actively engaged in providing security throughout their country.
- Critical infrastructure is being upgraded and built and the Iraqi economy is growing.

Mission is Clear

“We have made progress - but we have a lot more work to do”

- Hunting down the terrorists.
- Helping Iraqis build a free nation that is an ally in the war on terror.
- Advancing freedom in the broader Middle East.
- Removing a source of violence and instability - and laying the foundation of peace for our children and our grandchildren.

Staying the Course

“As the Iraqis stand up, we will stand down”

- The Coalition is continuing to transition responsibilities to Iraqi Security Forces until the leadership and loyalty of the ISF are sufficient enough to take on the insurgency and ultimately defeat it without the Coalition being there.
- **Three new steps** to further prepare Iraqi forces to fight on their own:
 - **Coalition Units Are Partnering With Iraqi Units.** Joint Coalition-Iraqi teams are conducting operations together in the field, giving Iraqis a chance to experience how the most professional armed forces in the world operate in combat.
 - **Embedded Coalition “Transition Teams” Are Teaching The Iraqis To Be Self-Sufficient.** Teams of Coalition officers and non-commissioned officers are now living, working, and fighting with Iraqis, and while under U.S. command provide everything from battlefield advice to assistance during combat operations.
 - **Strengthening The Iraqi Ministries Of Interior And Defense.** The Coalition is helping the Iraqi government develop modern command-and-control structures to coordinate anti-terrorist operations, so Iraq’s new leaders can more effectively manage their forces in the fight against terror.

President Bush Called On All Americans To Honor The Military

“We will stay in Iraq as long as we are needed - and not a day longer.”

- Our men and women in uniform are fighting a global war on terror.
- Their sacrifice is vital to the future security of our country.
- The American people are behind them.
- 4th of July is an opportunity to honor our men and women in uniform.
- No higher calling than service in our Armed Forces.

REMARKS BY THE PRESIDENT ON THE WAR ON TERROR

THE WHITE HOUSE

Office of the Press Secretary

(Fort Bragg, North Carolina)

As Prepared for Delivery



Thank you and good evening. I am pleased to visit Fort Bragg - "Home of the Airborne and Special Operations Forces." It is an honor to speak before you tonight. My greatest responsibility as President is to protect the American people, and that is your calling as well. I thank you for your service, your courage and your sacrifice. I thank your families, who support you in your vital work. The soldiers and families of Fort Bragg have contributed mightily to our efforts to secure our country and promote peace. America is grateful - and so is your Commander-in-Chief.

The troops here and across the world are fighting a global war on terror. This war reached our shores on September 11, 2001. The terrorists who attacked us - and the terrorists we face - murder in the name of a totalitarian ideology that hates freedom, rejects tolerance, and despises all dissent. Their aim is to remake the Middle East in their own grim image of tyranny and oppression - by toppling governments, driving us out of the region, and exporting terror.

To achieve these aims, they have continued to kill - in Madrid, Istanbul, Jakarta, Casablanca, Riyadh, Bali, and elsewhere. The terrorists believe that free societies are essentially corrupt and decadent, and with a few hard blows they can force us to retreat. They are mistaken. After September 11, I made a commitment to the American people: This Nation will not wait to be attacked again. We will take the fight to the enemy. We will defend our freedom.

Iraq is the latest battlefield in this war. Many terrorists who kill innocent men, women, and children on the streets of Baghdad are followers of the same murderous ideology that took the lives of our citizens in New York, Washington, and Pennsylvania. There is only one course of action against them: to defeat them abroad before they attack us at home. The commander in charge of Coalition operations in Iraq - who is also senior commander at this base - General John Vines, put it well the other day. He said: "We either deal with terrorism and this extremism abroad, or we deal with it when it comes to us."

Our mission in Iraq is clear. We are hunting down the terrorists. We are helping Iraqis build a free nation that is an ally in the war on terror. We are advancing freedom in the broader Middle East. We are removing a source of violence and instability - and laying the foundation of peace for our children and our grandchildren.

The work in Iraq is difficult and dangerous. Like most Americans, I see the images of violence and bloodshed. Every picture is horrifying - and the suffering is real. Amid all this violence, I know Americans ask the question: Is the sacrifice worth it? It is worth it, and it is vital to the future security of our country. And tonight I will explain the reasons why.

Some of the violence you see in Iraq is being carried out by ruthless killers who are converging on Iraq to fight the advance of peace and freedom. Our military reports that we have killed or captured hundreds of foreign fighters in Iraq who have come from Saudi Arabia, Syria, Iran, Egypt, Sudan, Yemen, Libya and other nations. They are making common cause with criminal elements, Iraqi insurgents, and remnants of Saddam Hussein's regime who want to restore the old order. They fight because they know that the survival of their hateful ideology is at stake. They know that as freedom takes root in Iraq, it will inspire millions across the Middle East to claim their liberty as well. And when the Middle East grows in democracy, prosperity, and hope, the terrorists will lose their sponsors, lose

their recruits, and lose their hopes for turning that region into a base for attacks on America and our allies around the world.

Some wonder whether Iraq is a central front in the war on terror. Among the terrorists, there is no debate. Hear the words of Osama Bin Laden: "This Third World War ... is raging" in Iraq. "The whole world is watching this war." He says it will end in "victory and glory or misery and humiliation."

The terrorists know that the outcome will leave them emboldened, or defeated. So, they are waging a campaign of murder and destruction. And there is no limit to the innocent lives they are willing to take.

We see the nature of the enemy in terrorists who exploded car bombs along a busy shopping street in Baghdad - including one outside a mosque. We see the nature of the enemy in terrorists who sent a suicide bomber to a teaching hospital in Mosul. And we see the nature of the enemy in terrorists who behead civilian hostages and broadcast their atrocities for the world to see.

These are savage acts of violence - but they have not brought the terrorists any closer to achieving their strategic objectives. The terrorists - both foreign and Iraqi - failed to stop the transfer of sovereignty. They failed to break our Coalition and force a mass withdrawal by our allies. They failed to incite an Iraqi civil war. They failed to prevent free elections. They failed to stop the formation of a democratic Iraqi government that represents all of Iraq's diverse population. And they failed to stop Iraqis from signing up in large numbers with the police forces and the army to defend their new democracy.

The lesson of this experience is clear: The terrorists can kill the innocent - but they cannot stop the advance of freedom. The only way our enemies can succeed is if we forget the lessons of September 11 ... if we abandon the Iraqi people to men like Zarqawi ... and if we yield the future of the Middle East to men like Bin Laden. For the sake of our Nation's security, this will not happen on my watch.

A little over a year ago, I spoke to the Nation and described our Coalition's goal in Iraq. I said that America's mission in Iraq is to defeat an enemy and give strength to a friend - a free, representative government that is an ally in the war on terror, and a beacon of hope in a part of the world that is desperate for reform. I outlined the steps we would take to achieve this goal: We would hand authority over to a sovereign Iraqi government ... we would help Iraqis hold free elections by January 2005 ... we would continue helping Iraqis rebuild their nation's infrastructure and economy ... we would encourage more international support for Iraq's democratic transition ... and we would enable Iraqis to take increasing responsibility for their own security and stability.

In the past year, we have made significant progress:

One year ago today, we restored sovereignty to the Iraqi people.

In January 2005, more than eight million Iraqi men and women voted in elections that were free and fair - and took place on time.

We continued our efforts to help them rebuild their country. Rebuilding a country after three decades of tyranny is hard - and rebuilding while at war is even harder. Our progress has been uneven - but progress is being made. We are improving roads, and schools, and health clinics ... and working to improve basic services like sanitation, electricity, and water. And together with our allies, we will help the new Iraqi government deliver a better life for its citizens.

In the past year, the international community has stepped forward with vital assistance. Some thirty nations have troops in Iraq, and many others are contributing non-military assistance. The United Nations is in Iraq to help Iraqis write a constitution and conduct their next elections. Thus far, some 40 countries and three international organizations have pledged about 34 billion dollars in assistance for Iraqi reconstruction. More than 80 countries and international organizations recently came together in Brussels to coordinate their efforts to help Iraqis provide for their security and rebuild their country. And next month, donor countries will meet in Jordan to support Iraqi reconstruction. Whatever our differences in the past, the world understands that success in Iraq is critical to the security of all our nations. As German Chancellor Gerhard Schroeder said at the White House yesterday, "There can be no question a stable and democratic Iraq is in the vested interest of not just Germany, but also Europe."

Finally, we have continued our efforts to equip and train Iraqi Security Forces. We have made gains in both the number and quality of those forces. Today Iraq has more than 160,000 security forces trained and equipped for a variety of missions. Iraqi forces have fought bravely - helping to capture terrorists and insurgents in Najaf, Samarra, Fallujah, and Mosul. And in the past month, Iraqi forces have led a major anti-terrorist campaign in Baghdad called Operation Lightning - which has led to the capture of hundreds of suspected insurgents. Like free people everywhere, Iraqis want to be defended by their own countrymen - and we are helping Iraqis assume those duties.

The progress in the past year has been significant - and we have a clear path forward. To complete the mission, we will continue to hunt down the terrorists and insurgents. To complete the mission, we will prevent al-Qaida and other foreign terrorists from turning Iraq into what Afghanistan was under the Taliban - a safe haven from which they could launch attacks on America and our friends. And the best way to complete the mission is to help Iraqis build a free nation that can govern itself, sustain itself, and defend itself.

So our strategy going forward has both a military track and a political track.

The principal task of our military is to find and defeat the terrorists - and that is why we are on the offense. And as we pursue the terrorists, our military is helping to train Iraqi Security Forces so that they can defend their people and fight the enemy on their own. Our strategy can be summed up this way: As the Iraqis stand up, we will stand down.

We have made progress - but we have a lot more work to do. Today Iraqi Security Forces are at different levels of readiness. Some are capable of taking on the terrorists and insurgents by themselves. A larger number can plan and execute anti-terrorist operations with Coalition support. The rest are forming and not yet ready to participate fully in security operations. Our task is to make the Iraqi units fully capable and independent. We are building up Iraqi Security Forces as quickly as possible, so they can assume the lead in defeating the terrorists and insurgents.

Our Coalition is devoting considerable resources and manpower to this critical task. Thousands of Coalition troops are involved in the training and equipping of Iraqi Security Forces. NATO is establishing a military academy near Baghdad to train the next generation of Iraqi military leaders - and 17 nations are contributing troops to the NATO training mission. Iraqi Army and Police are being trained by personnel from Italy, Germany, Ukraine, Turkey, Poland, Romania, Australia, and the United Kingdom. Today dozens of nations are working toward a common objective: an Iraq that can defend itself, defeat its enemies, and secure its freedom.

To further prepare Iraqi forces to fight the enemy on their own, we are taking three new steps:

First, we are partnering Coalition units with Iraqi units. These Coalition-Iraqi teams are conducting operations together in the field. These combined operations are giving Iraqis a chance to experience how the most professional armed forces in the world operate in combat.

Second, we are embedding Coalition "Transition Teams" inside Iraqi units. These teams are made up of Coalition officers and non-commissioned officers who live, work, and fight together with their Iraqi comrades. Under U.S. command, they are providing battlefield advice and assistance to Iraqi forces during combat operations. Between battles, they are assisting the Iraqis with important skills - such as urban combat, and intelligence, surveillance and reconnaissance techniques.

Third, we are working with the Iraqi Ministries of Interior and Defense to improve their capabilities to coordinate anti-terrorist operations. We are helping them develop command and control structures. We are also providing them with civilian and military leadership training, so Iraq's new leaders can more effectively manage their forces in the fight against terror.

The new Iraqi Security Forces are proving their courage every day. More than 2,000 members of the Iraqi Security Forces have given their lives in the line of duty. Thousands more have stepped forward, and are now in training to serve their nation. With each engagement, Iraqi soldiers grow more battle-hardened, and their officers grow more experienced. We have learned that Iraqis are courageous and that they need additional skills. That is why a major part of our mission is to train them so they can do the fighting and our troops can come home.

I recognize that Americans want our troops to come home as quickly as possible. So do I. Some contend that we should set a deadline for withdrawing U.S. forces. Let me explain why that would be a serious mistake. Setting an artificial timetable would send the wrong message to the Iraqis - who need to know that America will not leave before the job is done. It would send the wrong message to our troops - who need to know that we are serious about completing the mission they are risking their lives to achieve. And it would send the wrong message to the enemy - who would know that all they have to do is to wait us out. We will stay in Iraq as long as we are needed - and not a day longer.

Some Americans ask me, if completing the mission is so important, why don't you send more troops? If our commanders on the ground say we need more troops, I will send them. But our commanders tell me they have the number of troops they need to do their job. Sending more Americans would undermine our strategy of encouraging Iraqis to take the lead in this fight. And sending more Americans would suggest that we intend to stay forever - when we are in fact working for the day when Iraq can defend itself and we can leave. As we determine the right force level, our troops can know that I will continue to be guided by the advice that matters - the sober judgment of our military leaders.

The other critical element of our strategy is to help ensure that the hopes Iraqis expressed at the polls in January are translated into a secure democracy. The Iraqi people are emerging from decades of tyranny and oppression. Under the regime of Saddam Hussein, the Shia and Kurds were brutally oppressed - and the vast majority of Sunni Arabs were also denied their basic rights while senior regime officials enjoyed the privileges of unchecked power. The challenge facing Iraqis today is to put this past behind them, and come together to build a new Iraq that includes all its people.

They are doing that by building the institutions of a free society - a society based on freedom of speech, freedom of assembly, freedom of religion, and equal justice under law. The Iraqis have held free elections and established a Transitional National Assembly. The next step is to write a good constitution that enshrines these freedoms in permanent law. The Assembly plans to expand its

constitutional drafting committee to include more Sunni Arabs. Many Sunnis who opposed the January elections are now taking part in the democratic process - and that is essential to Iraq's future.

After a constitution is written, the Iraqi people will have a chance to vote on it. If approved, Iraqis will go to the polls again, to elect a new government under their new, permanent constitution. By taking these critical steps and meeting their deadlines, Iraqis will bind their multiethnic society together in a democracy that respects the will of the majority and protects minority rights.

As Iraqis grow confident that the democratic progress they are making is real and permanent, more will join the political process. And as Iraqis see that their military can protect them, more will step forward with vital intelligence to help defeat the enemies of a free Iraq. The combination of political and military reform will lay a solid foundation for a free and stable Iraq.

As Iraqis make progress toward a free society, the effects are being felt beyond Iraq's borders. Before our Coalition liberated Iraq, Libya was secretly pursuing nuclear weapons. Today the leader of Libya has given up his chemical and nuclear weapons programs. Across the broader Middle East, people are claiming their freedom. In the last few months, we have witnessed elections in the Palestinian Territories and Lebanon. These elections are inspiring democratic reformers in places like Egypt and Saudi Arabia. Our strategy to defend ourselves and spread freedom is working. The rise of freedom in this vital region will eliminate the conditions that feed radicalism and ideologies of murder - and make our Nation safer.

We have more work to do, and there will be tough moments that test America's resolve. We are fighting against men with blind hatred - and armed with lethal weapons - who are capable of any atrocity. They wear no uniform; they respect no laws of warfare or morality. They take innocent lives to create chaos for the cameras. They are trying to shake our will in Iraq - just as they tried to shake our will on September 11, 2001. They will fail. The terrorists do not understand America. The American people do not falter under threat - and we will not allow our future to be determined by car bombers and assassins.

America and our friends are in a conflict that demands much of us. It demands the courage of our fighting men and women ... it demands the steadfastness of our allies ... and it demands the perseverance of our citizens. We accept these burdens - because we know what is at stake. We fight today, because Iraq now carries the hope of freedom in a vital region of the world - and the rise of democracy will be the ultimate triumph over radicalism and terror. And we fight today because terrorists want to attack our country and kill our citizens - and Iraq is where they are making their stand. So we will fight them there ... we will fight them across the world - and we will stay in the fight until the fight is won.

America has done difficult work before. From our desperate fight for independence, to the darkest days of a Civil War, to the hard-fought battles against tyranny in the 20th Century, there were many chances to lose our heart, our nerve, or our way. But Americans have always held firm, because we have always believed in certain truths. We know that if evil is not confronted, it gains in strength and audacity, and returns to strike us again. We know that when the work is hard, the proper response is not retreat, it is courage. And we know that this great ideal of human freedom is entrusted to us in a special way - and that the ideal of liberty is worth defending.

In this time of testing, our troops can know: The American people are behind you. Next week, our

Nation has an opportunity to make sure that support is felt by every soldier, sailor, airman, coast guardsman, and Marine at every outpost across the world. This Fourth of July, I ask you to find a way to thank the men and women defending our freedom - by flying the flag ... sending letters to our troops in the field ... or helping the military family down the street. The Department of Defense has set up a website - AmericaSupportsYou.mil. You can go there to learn about private efforts in your own community. At this time when we celebrate our freedom, let us stand with the men and women who defend us all.

To the soldiers in this hall, and our servicemen and women across the globe: I thank you for your courage under fire and your service to our Nation. I thank our military families - the burden of war falls especially hard on you. In this war, we have lost good men and women who left our shores to defend freedom - and did not live to make the journey home. I have met with families grieving the loss of loved ones who were taken from us too soon. I have been inspired by their strength in the face of such great loss. We pray for the families. And the best way to honor the lives that have been given in this struggle is to complete the mission.

I thank those of you who have re-enlisted in an hour when your country needs you. And to those watching tonight who are considering a military career, there is no higher calling than service in our Armed Forces. We live in freedom because every generation has produced patriots willing to serve a cause greater than themselves. Those who serve today are taking their rightful place among the greatest generations that have worn our Nation's uniform. When the history of this period is written, the liberation of Afghanistan and the liberation of Iraq will be remembered as great turning points in the story of freedom.

After September 11, 2001, I told the American people that the road ahead would be difficult - and that we would prevail. Well, it has been difficult. And we are prevailing. Our enemies are brutal - but they are no match for the United States of America - and they are no match for the men and women of the United States military.

Thank you. And may God bless America.

THE WALL STREET JOURNAL.

Engage With Us

By HOSHYAR ZEBARI June 22, 2005; Page A10

Today marks another milestone in Iraq's evolution toward democracy and reintegration into the world system. Just as the announcement of the formation in April of our first elected government in 51 years was an important step toward democratization, the International Conference, which opens today in Brussels, signals our determination for Iraq to be a peaceful and responsible member of the international community, away from the isolation into which the previous regime forced us.

Eighty-five participants, invited at the request of the government of Iraq, will be discussing ways of achieving our vision for Iraq's future. That vision is of a stable country with a government elected pursuant to a permanent constitution by the end of the year; a government which is subject to the will, and governs by consent, of its citizens; rehabilitated institutions of government which provide effective civil and social services; an empowered civil society which participates fully in public life; and an Iraq at peace with itself and its neighbors, one fully returned to the community of civilized nations, playing its natural role in regional and international affairs.

* * *

Stability is an essential first step in accomplishing this vision. The consequences for the Middle East and our region are too great for the world to stand and watch while the current instability continues. Anti-democratic forces are watching carefully to see if democracies around the world have the ability to sustain support as Iraqi democrats begin rebuilding. Many hope that we will fail, for such failure will signal an important retreat for nascent democratic movements throughout the region. If the world fails to re-engage, and Iraq descends into further instability, these forces will use our experience as a warning for democratic reformers throughout the region.

There are far wider implications if the world fails adequately to engage in encouraging the political process now unfolding in Iraq. Extremists see Iraq as a test case: If democratic forces can be defeated -- which will be assured if the world disengages -- these extremists will be ever more emboldened to spread their hatred and violence throughout the world. Iraq has emerged as the central battlefield in the fight of the civilized world against terror and extremism, and the terrorists know that the people of Iraq stand on the side of free peoples the world over. In the current violence now unfolding in Iraq, the terrorists are testing the resolve of the world. Their goal is to keep the world disengaged, because they know that is their optimal strategy for ensuring the failure of Iraq's democratization. The world must not allow these forces to succeed.

For all the difficulties we are now encountering, we have made real progress, including the peaceful transfer of power from the Interim to the Transitional Governments, perhaps the first such transfer in our region. That transfer was made possible because 8.5 million Iraqi voters defied terrorist threats to "make the streets run with blood on elections day." Though some groups boycotted the

elections, they have since worked very hard to be reintegrated into the political process, both in drafting the constitution and for participating in the next round of elections. While terrorists continue to target Iraq's security forces, recruitment remains high. Iraqis are committed to seeing the political transformation of their country through to the end.

* * *

The Brussels Conference is thus not just another donor conference. Two such conferences have been held, in Madrid and Tokyo. Though many unfulfilled pledges were made at these conferences, there will be other fora for raising such concerns.

The purpose of this conference is primarily political, to send a clear message that the international community will stand by the people of Iraq, and that they will provide tangible assistance in three distinct areas.

The first area in which we need vital assistance is in the political reconstruction of the country. The previous regime destroyed any semblance of extant political institutions, as such institutions were first turned into the alter ego of one party, then of one man. The first step in political rebuilding is the drafting of a constitution which accommodates all of Iraq's communities -- ethnic, confessional, and political.

Writing a constitution ought not to be the work of elites scribbling behind closed doors. There must be a broad "buy-in" by Iraq's communities, not only into the final product, but into the process of producing the document. We must also look to the constitutional referendum in the fall, and the end-of-year elections for a new government, focusing particularly on lessons learned from the last elections. The majority of the Iraqi people advocate a democratic, pluralistic, federal and unified country. The experience of other countries which have transitioned from tyranny to democracy, as well as the more experienced democracies, will be invaluable in this field.

Because of our history, Iraq's governmental institutions have become unresponsive to the needs of the citizenry. Recreating a civil service worthy of the name, one focused on providing real benefit and imbued with a sense of professionalism, will be a priority. Reform of the upper echelon will be necessary, but we will need assistance to rebuild such institutions from the ground up. The same is true for civil society organizations which totally lost their independence during the previous regime. These reforms are long-term, and will require the engagement of the world community for years.

Economic reconstruction will also be on the agenda. Though Iraq is potentially a wealthy nation, mismanagement and years of economic sanctions have destroyed Iraq's economy and infrastructure. They have also resulted in a brain drain which hampers reconstruction. Aside from financial contributions to prime our economic recovery, we will need varied technical assistance to plan for long-term sustainable development. The previous regime gave disincentives for initiative even in technical areas, resulting in Iraq being decades behind in its best practices even in vital sectors such as oil and gas. Iraq's technicians will need to be reacculturated to maintenance of infrastructure, rather than merely responding to catastrophic failure. Enforced underdevelopment in parts of the country complicates the picture. But with serious engagement from the world community, we believe we can reach the Millennium Development goals of eliminating absolute poverty and hunger, reintroduce primary education for all children, reduce child mortality, combat disease and ensure environmental sustainability by 2015.

* * *

The third issue we will raise in Brussels involves the rule of law. This means reform of the legal infrastructure of the country. An independent and stable judiciary, trained in international standards of due process and fundamental fairness, is not only essential for good governance, it is an absolute necessity for attracting foreign investment, critical in our rebuilding. The legal profession desperately needs training in modern forensic techniques, including forensic scientific methods, and in international human rights standards. Humane standards of conduct must also form the basic training tools of security and police forces, jailers and prison guards. Ultimately, only we -- the Iraqis -- can provide lasting security for our own people. But still we are some way off from being self-reliant and that is why we need tangible assistance to enhance the build-up of police and security forces.

There is much room for involvement by the world community in our rebuilding, and space does not permit me to catalogue all the myriad areas of technical expertise needed by Iraq. But in each of these critical areas, we need the engagement and cooperation of the international community. To the extent that concrete proposals emerge for achieving these multifaceted goals, the Brussels Conference will be a success.

Mr. Zebari is Iraq's foreign minister.



Talking Points: Central Themes in the Global War on Terror

June 20, 2005

As Congress debates funding levels to support our troops in the Global War on Terror, it is imperative that we reflect on several key issues. These are:

- **We are winning.** We have not lost an engagement at the platoon level or above in three years of war in this theater, and this enemy knows he cannot defeat us. He is focused on winning the battle of perception, attacking civilians to spread fear among local populations in Afghanistan and Iraq. His goal is to win the perception battle and force us to lose our will. We must remain committed.
- **This is not just a military fight.** We must encourage the types of reform that lead to moderation: economic, political, diplomatic, judicial, social, and military.
- **We're in a period of revolutionary change in the Middle East,** a struggle between moderation and extremism, where the moderates in both Iraq and Afghanistan have actively participated and sought to build governments based on democratic reform. But nothing moves in a straight line in the Middle East and one can expect to see turbulence as the region deals with change and a movement toward participatory governments.
- **We must create an international dialogue on the spread of extremism.** The battle between moderation and extremism requires everyone – all nations- to engage. It is only through the aggregated efforts of the international community that we can defeat this extremist threat.
- **There is a main enemy in this war,** and it is al Qaeda inspired. This enemy has an ideological desire to dominate the region and it must be defeated. This enemy is unscrupulous and has not positive vision of the future. It only represents a return to the past of extremism, tyranny, violence and oppression.

(Courtesy - Office of the Assistant Secretary of Defense, Legislative Affairs)

**House Armed Services Committee
Communications Office
Duncan Hunter, Chairman**



Talking Points: Imposing Troop Withdrawal Deadline is a Big Mistake

June 21, 2005

- As reported in the press, some have recently called for the President to set a date certain for troop withdrawal from Iraq.
- According to Joint Staff Operations Chief Marine Lt. Gen James Conway, our U.S. commanders would not welcome an artificially imposed deadline. "They have their plan; it's a plan for victory. And forces will be withdrawn when victory is accomplished between the U.S. and Iraqi forces."
- In a column published today in the *Wall Street Journal*, Brendan Miniter echoes these sentiments. "The last thing we need in Iraq is a timeline for withdrawal. Victory sets its own schedule, and it's not contingent on the U.S. election calendar."
- Setting an arbitrary date would empower the enemy and give the perception that America is not committed to Iraq. As Conway asserts, "The enemy studies the U.S...They see where we have withdrawn previously - - in Vietnam, in Beirut, in Somalia. Nothing would make them happier, I suppose, than to think that there is a deadline out there, there's a time and distance factor associated with it, and then...they simply are able to wait us out."
- As the Iraqi Security Forces continue to train and to take over the responsibility of securing their country, the number of U.S. and coalition forces will continue to decrease. Since January of this year, the number of U.S. troops serving in Iraq has already decreased by 21,000 troops.
- An artificial deadline will be viewed by the foreign insurgents as a signal of our defeat. As Miniter writes, "This is a war of civil society versus the agents of anarchy. We don't need to set a schedule to accept defeat. We need more civil societies to help us keep a lid on the violence that will otherwise creep into our lives. That's what the war in Iraq is about and why winning it remains in our nation's vital interests."

No Time to Go Wobbly The goal in Iraq is victory, not withdrawal. BY BRENDAN MINITER Tuesday, June 21, 2005 12:01 a.m. EDT

The last thing we need in Iraq is a timeline for withdrawal. Victory sets its own schedule, and it's not contingent on the U.S. election calendar. Arbitrarily forcing a timetable on the battlefield will only aid the enemy. Yet a growing number of politicians are now calling for just that--or, at least, a better (read more negative) official accounting of what's happening in Iraq. With polls showing less support for the war and pols parroting that public opinion, we're in danger of losing sight of how to defeat the enemy.

Sen. Joe Biden, a Delaware Democrat, joined the parade over the weekend while also bluntly saying he's looking at a presidential bid in 2008--although he was careful to add that he thinks the next presidential election will turn on national security. Rep. Harold Ford Jr., normally a somewhat sensible Tennessee Democrat, has also joined the procession and hopes his call for a timeline will help win him the Senate seat Bill Frist is vacating. And it's not just Democrats. Sen. Chuck Hagel is making similar noises as he considers his own presidential bid.

In another era the U.S. probably wouldn't need to be involved with tens of thousands of troops in the Middle East. But then in another era, Osama bin Laden would be a two-bit thug, the Iranian mullahs would be little squirts, and we Americans could go on with our lives oblivious to them all. There have always been and always will be terrorists. What's different today is that in a large swath of territory, mostly the Middle East and the Horn of Africa, civilization itself has been disintegrating. In the 1990s it reached a point where organized terrorists would be able to amass tremendous power and weapons capable of spreading mass chaos in the Western world. That's the enemy we have to keep our eye on defeating.

Outside Israel, and to a lesser extent Turkey and Lebanon, democracy is something new in the Middle East. So as we struggle now to keep a lid on the violence, it's hard not to get demoralized with the notion that it's not possible to build a civil society because the region has always been mired in the kind of chaos it finds itself in now. But that, of course, isn't true. Afghanistan may have always been on the edge of the world, but Iraq once enjoyed a relatively wealthy and well educated middle class. In Iraq, civil society began a steep decline only after Saddam Hussein hijacked the country. Iran too was once home to a burgeoning educated class, but that was before the revolution. Beirut was the "Paris" of the region, with the wealth and sophistication to match, before civil war destroyed the city and the country. The region began its breakdown thanks in part to Soviet pressure, and now, Islamofacists have outlived the communists. The end results are the same under either system--poverty, oppression and aggression toward the West.

President Bush made the case to invade Iraq mostly on the basis of weapons of mass destruction. The stockpiles everyone thought the U.S. military would unearth have not been found. But the danger of a failed and chaotic state headed by a madman in the center of the Middle East stands. Saddam clearly had designs on acquiring all sorts of weapons, and he was a walking WMD because his very hold on power was leveling efforts to restore civil society. What we needed in Iraq was not a dictator to keep the lid on the chaos, but a society with cops, troops and intelligence officers going after al Qaeda operatives. Empowering Iraqis to choose their own leaders will give us that because democracy is the antithesis of the chaos in which terrorists thrive.

The hope, of course, is that as democracy takes root in Iraq it will spread to the rest of the region. Since the invasion there have been plenty of encouraging signs. Lebanon and Egypt appear to be moving in the right direction. And even Syria is looking to set up its first stock exchange, perhaps a precursor to liberalizing economic reforms. Inside Iraq a civil government is slowly standing up even as the insurgency continues to pull off deadly attacks.

This is a war of civil society versus the agents of anarchy. We don't need to set a schedule to accept defeat. We need more civil societies to help us keep a lid on the violence that will otherwise creep into our lives. That's what the war in Iraq is about and why winning it remains in our nation's vital interests.

Mr. Minter is assistant editor of OpinionJournal.com. His column appears Tuesdays.



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