

JANET M. GARRY
GOVERNMENT AFFAIRS CONSULTANT
P.O. BOX 749
ROCKVILLE, MD. 20848-0749
TELEPHONE (301) 770-1850/ FAX (301) 770-1852

DATE: November 16, 1998
TO: NATIONAL COUNCIL SSMA OFFICERS AND EXECUTIVE COMMITTEE
RE: Legislative Report #37

Note: The November 10 report #36 contained an error: The Levin brothers (Senator Carl of the Senate Gov. Affairs Committee and Representative Sander of the House Social Security Subcommittee) are of course from Michigan, not Illinois as I incorrectly indicated.

Preparations for the 106th Congress: Freshmen congressman arrived in Washington over the weekend for what are essentially "training" sessions -- how to set up your office, how to find your way around, how the membering of committees occurs, etc. They are being joined this week by the full House of Representatives to caucus and vote on leadership changes and to make decisions on committee make-up and Chairmanships. (Although committee rosters are most often not finalized until after the new Congress convenes.)

Since last week, the races for House Republican leadership positions has heated up. Jennifer Dunn of Washington state (who reportedly aspires to become the first female House Speaker one day) is opposing Steven Largent of Oklahoma for the second highest position, Majority Leader. Both are running against Rep. Arme of Texas. In addition, Dennis Hastert of Illinois, currently serving as Chief Deputy Whip, may be nominated to try also for that post. A group of conservative and moderate Republicans, who believe Hastert has a proven track record of crafting compromises which bring together diverse factions within the party, have asked him to run. Until that development, odds were on Dunn.

Rep. Livingston is considered a shoe-in for Speaker at this point (he needs 112 Republican votes and had them according to reports today). While many point out that he is no less conservative in his views than Gingrich, he is credited with ability to deal well with people with opposing views, in order to build consensus and broker compromise. A more conciliatory House, with a heightened sense of appropriate deference and demeanor, appears to be a major goal of the leadership changes.

I'm sure the outcomes of these key races will be widely publicized by the media before the next legislative report.

Recess hearing on the future of Social Security:

This week will also bring a hearing held by the House Ways and Means Committee "to seek guidance from the Administration, former Members and others on what can be learned from the experiences of past Social Security reform efforts, as well as recommendations on the best strategic road map to result in a solid and fair plan to save Social Security for all Americans." Some staff tell me they hope this hearing will reveal some information on the December 8-9 White House Conference on SS, about which there is no information circulating on the Hill and no invitations received as of Thursday, Nov. 12. Treasury Secretary Rubin is scheduled to testify. To my knowledge, no one from SSA is to appear. I plan to attend and summarize the hearing in my next report.

Today's Washington Post ran a column by Arthur Levitt, Chairman of the Securities and Exchange Commission, which highlighted several concerns about the need to protect the interests of American investors in reforming Social Security, including: the need for broad and extensive policing of equity markets for fraud and sales abuses against "vulnerable investors"; the wide "gap between financial knowledge and financial responsibility" even among Americans currently privately investing for their own retirement, and hence the educational onus which will fall on the government under a government program of individual accounts -- ensuring that investors understand costs and risk versus the potential for greater returns, for example. He raises questions about the proposed alternative to individual accounts -- government investment in securities markets. Levitt points out that "trust fund investments could lead to political interference in deciding which companies to invest in and how those companies were run" and even that potential government control of market fluctuations becomes an issue, saying "America's markets have earned their status as the world's premier securities markets. Maintaining that integrity is of utmost importance to the SEC." He concludes by saying that the SEC does not support or oppose any particular SS reform plan, but restating that they are strongly concerned.

Reports that the President may be poised to support individual accounts as part of SS reform will likely result in more authorities more visibly raising such concerns.

Hill staff researching the history of past SS changes, in preparation for this week's hearing, have been unable to find a previous occasion on which the White House has been the initiator of a specific proposal when reforms were underway; some therefore expect no Administration proposal this time around either and think the President will most likely still be talking in generalities in his State of the Union Address in January.

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