



CONGRESS OF THE UNITED STATES

CONGRESSMAN JIM SAXTON

PRESS RELEASE

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ADMINISTRATION PRECEDENTS UNDERMINE ITS SOCIAL SECURITY PROPOSAL

– Criminal Probe of Its Social Investment Contractor Damages Credibility –

WASHINGTON, D.C.—The Administration’s long-standing promotion of social investing by pension funds and the federal criminal investigation of a related private contractor undermine the credibility of Administration arguments for its social security plan, **Congressman Jim Saxton** said today. His comments reinforce concerns expressed last week by Federal Reserve Chairman Alan Greenspan with regard to the Administration’s proposal.

The Administration has long promoted social investment of pension funds and this policy raises concerns that social security investment in the stock market may not be adequately insulated from political pressures. Furthermore, a private firm selected under competitive bidding to assist in the promotion of social investing by pension funds later came under federal criminal investigation. Only yesterday the White House cited the involvement of private firms selected by competitive bidding as a safeguard in insulating social security investment from social or political considerations.

“The Administration’s past aggressive advocacy of social investing by pension funds naturally raises concerns about whether its social security proposal could also involve investment decisions tainted by social or political objectives,” Saxton said. “The economic question is very similar in both cases: should retirement funds be invested exclusively for the benefit of the beneficiaries, or should other factors be considered? The Administration’s earlier attempts to promote social investing by private pension funds was stymied, but this new proposal creates the danger that the issue will reemerge in a somewhat different form.

“Furthermore, no one should be under any illusions that the involvement of a private sector firm selected by competitive bidding would be an adequate safeguard, as the White House contended yesterday. In an earlier Administration social investment initiative, a private firm selected by competitive bidding played a major role, but this same firm later was subject to criminal investigation, resulting in its liquidation. This firm was to designate social investments and other resources to help guide private pension investment decisions, but fortunately this project collapsed before too much damage to the welfare of pension beneficiaries had occurred,” Saxton said. This was in reference to the Administration promotion of social investment under the rubric of “economically targeted investments” (ETIs) by the Labor Department.

In 1994, the department contracted with Hamilton Securities to create an ETI clearinghouse through a competitive bidding process, instead of the Center on Policy Alternatives (CPA), a spin-off of the Institute for Policy Studies (IPS). The contract ultimately was properly granted to Hamilton Securities, according to a General Accounting Office (GAO) review requested by Saxton. The CPA had called for creation of such a clearinghouse to promote this form of social investment as part of a much broader mix of policy initiatives related to ETIs.

At some point in 1996 or 1997, Hamilton Securities became involved in a criminal investigation for fraud related to a separate contract with the Department of Housing and Urban Development (HUD). The Department of Justice and the HUD office of Inspector General are conducting the criminal investigation. In February of 1998, Hamilton Securities announced that it was being dissolved.

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