

REMARKS OF SENATOR BOB DOLE
NATIONAL FEDERATION OF INDEPENDENT BUSINESSMEN,

WASHINGTON, D.C.

JUNE 13, 1979

I'M HONORED BY YOUR INVITATION TO ADDRESS TWO OF THE MOST
IMPORTANT ISSUES CURRENTLY FACING THE AMERICAN PEOPLE. THE
SHAPE OF OUR DOMESTIC ECONOMY IS INTIMATELY LINKED TO THE
PROSPECTS FOR ANY SYSTEM OF NATIONAL HEALTH INSURANCE. IN
MY VIEW, IT IS IMPOSSIBLE TO SEPARATE ONE FROM THE OTHER.
AND SO, IN MY REMARKS THIS MORNING, I'D LIKE TO PONDER THE
CONNECTION BETWEEN THE HEALTH OF OUR ECONOMY, AND THE
ECONOMICS OF HEALTH.

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AN ANTIDOTE TO INFLATION

I DON'T NEED TO STAND UP HERE AND TELL YOU, OR ANY OTHER GROUP OF BUSINESSMEN AND WOMEN IN THIS COUNTRY, THAT INFLATION IS OUR MOST SERIOUS DOMESTIC PROBLEM. YOU WITNESS ITS CORROSIVE EFFECTS DAILY. AND UNTIL WE CAN GET A GRIP ON THE INFLATIONARY SPIRAL, WE CANNOT EXPECT TO GET ON WITH THE TASK OF RESTORING AMERICAN LEADERSHIP AT HOME AND ABROAD.

MY ECONOMIC THINKING IS FOUNDED ON SEVERAL BASIC TENETS. FIRST, A STRONG, GROWING ECONOMY IS ESSENTIAL TO A FREE NATION. IT ASSURES A CONSTANTLY HIGHER STANDARD OF LIVING AND UPWARD SOCIAL MOBILITY FOR ITS CITIZENS. SECOND, THE BEST ECONOMIC POLICY IS ONE THAT ALLOWS FREE MARKET FORCES TO ALLOCATE GOODS AND SERVICES. GOVERNMENT INTERFERENCE WITH THE ECONOMY IS INEFFICIENT AT BEST AND TOLERABLE ONLY WHEN JUSTIFIED BY NECESSITY. FINALLY, PROFITS, FAR FROM BEING THE ORIGINAL SIN SOME WOULD HAVE US BELIEVE, ARE THE CEMENT THAT HOLDS OUR FREE MARKET SYSTEM TOGETHER.

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THESE PRINCIPLES MAY SEEM SELF-EVIDENT TO YOU--THEY SURELY DO TO ME--BUT THEY ARE NOT ACCEPTED IN ALL PARTS OF OUR GOVERNMENT. THERE ARE MANY IN WASHINGTON WHO BELIEVE THAT ECONOMIC PROGRESS IS UNDESIRABLE, PERVASIVE GOVERNMENT REGULATION IS ESSENTIAL, AND PROFITS ARE NECESSARILY A SIGN OF EXPLOITATION. INFLATION IS, IN NO SMALL MEASURE, THE RESULT OF SUCH THINKING.

MY ECONOMIC PRESCRIPTION HAS THREE PARTS: FISCAL RESPONSIBILITY, TAX REFORM ~~STRATEGY~~ AND DEREGULATION. I DON'T PROPOSE ANY SLIGHT OF HAND: SIMPLE COMMON SENSE AND BASIC ECONOMICS ARE WHAT WE NEED NOW.

THE FIRST, AND I BELIEVE MOST IMPORTANT, STEP THAT CONGRESS CAN TAKE IN ITS FIGHT AGAINST INFLATION, IS A REFORM OF FISCAL POLICY. EXCESSIVE GOVERNMENT SPENDING CONTRIBUTES TO INFLATION BY PUMPING MORE MONEY INTO THE ECONOMY WITHOUT CORRESPONDINGLY INCREASING PRODUCTION. IN 19 OF THE LAST 20 YEARS, THE FEDERAL BUDGET HAS BEEN IN A DEFICIT SITUATION. THERE HASN'T BEEN A BALANCED BUDGET IN THE LAST DECADE. INTEREST ALONE ON THE NATIONAL DEBT WILL HIT \$60 BILLION THIS YEAR.

THE NEED FOR A CONSTITUTIONAL AMENDMENT

I AM SURE MANY OF YOU KNOW THAT I AM A SUPPORTER OF A CONSTITUTIONAL AMENDMENT TO REQUIRE A BALANCED FEDERAL BUDGET. IN 1978, I INTRODUCED A RESOLUTION TO REQUIRE A BALANCED BUDGET UNLESS TWO-THIRDS OF THE CONGRESS SUPPORTS A DEFICIT AND I INTRODUCED IT AGAIN THIS YEAR. SUCH A PROPOSAL IS NOT A "QUICK FIX" AS SOME HAVE ALLEGED. RATHER, IT REPRESENTS A FUNDAMENTAL CHANGE IN OUR ECONOMIC POLICY NECESSITATED BY WHAT I CONSIDER TO BE AN EQUALLY FUNDAMENTAL CHANGE IN OUR POLITICAL SYSTEM. STATED FRANKLY, THE INFLUENCE OF SPECIAL INTEREST GROUPS IN WASHINGTON IN RECENT YEARS HAS SHIFTED THE BALANCE OF POWER IN FAVOR OF SPENDING AND AWAY FROM FISCAL RESTRAINT. I USE THE TERM "SPECIAL INTEREST" GROUPS" TO REFER TO THE CONGLOMERATION OF GROUPS REPRESENTING BOTH INCREASED SOCIAL PROGRAMS AND INCREASED BUSINESS SUBSIDIES. A CONSTITUTIONAL AMENDMENT WILL HELP TO RIGHT THE CURRENT IMBALANCE. IT WILL HELP CONGRESSMEN SAY NO TO THOSE WHO WANT FEDERAL PROGRAMS INCREASED.

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REFORMING THE TAX SYSTEM

THE SECOND ELEMENT OF FISCAL POLICY CONCERNS FEDERAL TAXATION. TAX POLICY IN THIS COUNTRY HAS TENDED, IN RECENT YEARS, TO ENCOURAGE CONSUMPTION AND DISCOURAGE INVESTMENT, SAVINGS, AND CAPITAL FORMATION. AMONG MAJOR INDUSTRIALIZED NATIONS, THE UNITED STATES RANKS LAST IN SAVINGS AS A PERCENT OF INCOME, LAST IN FIXED INVESTMENT AS A PERCENT OF GNP AND LAST IN PRODUCTIVITY GROWTH. THIS IS NO ACCIDENT AND IT IS NOT CAUSED BY THE PROFLIGACY OF OUR CITIZENS. IT IS SIMPLY A RESULT OF TAX POLICY.

CAPITAL NEEDED FOR INVESTMENT IS ERODED BECAUSE OUR TAX SYSTEM DOES NOT RECOGNIZE INFLATION-CAUSED UNDER-DEPRECIATION OF ASSETS. IT MAKES NO SENSE TO DEPRECIATE ASSETS AT A PRICE THAT IS ONLY A FRACTION OF THEIR REPLACEMENT COST. INVESTMENT IS DISCOURAGED IN OTHER WAYS ALSO. FOR EXAMPLE, DIVIDENDS ARE TAXED TWICE IN OUR SYSTEM--ONCE AS PROFIT TO THE CORPORATION AND AGAIN AS INCOME TO THE RECIPIENT.

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INVESTMENT IS FURTHER STIFLED BY POLICIES WHICH DISCOURAGE SAVINGS. TAXING ALL INTEREST EARNED ON SAVINGS ACCOUNTS IN THESE TIMES OF HIGH INFLATION MEANS THAT A PERSON WILL ACTUALLY LOSE REAL MONEY IN PLACING HIS SAVINGS IN A BANK.

I WANT TO SEE A SYSTEM OF TAX INDEXING ENACTED, REPLACING THE INEQUITIES OF THE PRESENT SYSTEM WITH ONE IN WHICH, IF YOU EARN A RAISE, YOU KEEP A RAISE. I LIKE TO VOTE FOR TAX CUTS AS MUCH AS ANYONE--BUT A TAX CUT THAT MERELY KEEPS PACE WITH INFLATION IS NO TAX CUT AT ALL. INDEXING OUR SYSTEM TO THE CONSUMER PRICE INDEX WILL PROVIDE A MAJOR BOOST TO MIDDLE CLASS AMERICANS WHO ARE REELING UNDER THE COMBINED EFFECTS OF INFLATION AND HIGH TAXES. THIS IS JUST ONE OF THE TAX REFORMS I WANT TO SEE THE FINANCE COMMITTEE EMBRACE.

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REGULATING REGULATION

EVEN THIS IS NOT ENOUGH. WE MUST ALSO GREATLY LESSEN THE RAPIDLY GROWING INVOLVEMENT OF THE FEDERAL GOVERNMENT IN THE AFFAIRS OF BUSINESS. THE GOVERNMENT'S OWN EXPENDITURES FOR REGULATION INCREASED 55 PERCENT FROM 1974 TO 1977. BY COMPARISON, OUR POPULATION ONLY INCREASED BY TWO AND ONE-HALF PERCENT DURING THIS PERIOD. ECONOMISTS HAVE ESTIMATED THAT BUSINESS WILL SPEND \$98 BILLION ON COMPLIANCE WITH FEDERAL REGULATION IN 1979. THE REGULATORY AGENCIES THEMSELVES WILL COST THE TAXPAYERS \$4.8 BILLION. THIS EXCESSIVE REGULATION IS MORE THAN ANNOYING. IT IS INFLATIONARY. IT REMOVES NEEDED INVESTMENT AND SUPPLANTS IT WITH LARGELY NON-PRODUCTIVE ACTIVITY.

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I AM NOT, OF COURSE, SUGGESTING THAT ALL FEDERAL REGULATION MUST BE ELIMINATED. MUCH--I AM CAREFUL NOT TO SAY MOST--FEDERAL REGULATION SERVES A NECESSARY AND VALUABLE SERVICE. A LARGE PORTION, HOWEVER, IS UNNECESSARY AND SERVES NO USEFUL PURPOSE. SOME EVEN HAVE A DIRECTLY ANTICOMPETITIVE EFFECT. I BELIEVE THAT CONGRESS SHOULD REQUIRE ALL FEDERAL AGENCIES TO CONSIDER THE COST EFFECTIVENESS OF EVERY NEW AND EXISTING REGULATION. THOSE THAT DO NOT MEASURE UP MUST BE ELIMINATED.

A VIABLE ENERGY PROPOSAL

FINALLY, THIS COUNTRY IS IN DESPERATE NEED OF AN ENERGY POLICY. WE CAN NO LONGER AFFORD TO SEND BILLIONS OF DOLLARS OVERSEAS TO PAY FOR PETROLEUM PRODUCTS. AMERICA MUST FIND MORE OIL AND GAS WITHIN ITS BORDERS AND IT MUST SHIFT ITS ENERGY NEEDS TO COAL AND OTHER ALTERNATIVE SOURCES. IF SHIFTING TO COAL REQUIRES SOME SHORT-TERM RELAXATION OF OUR ENVIRONMENTAL RULES THEN WE MUST PAY THAT PRICE. COAL GASIFICATION, OIL SHALE, SOLAR ENERGY AND GASOHOL MUST BE MADE ECONOMICALLY AND TECHNOLOGICALLY ACCEPTABLE ALTERNATIVES TO CRUDE OIL.

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SOME IMPORTANT FIRST STEPS HAVE BEEN TAKEN. FOR EXAMPLE, I FAVOR THE DECONTROL OF CRUDE OIL. THIS WILL HAVE A SHORT-TERM INFLATIONARY IMPACT BUT IN THE LONG RUN IT WILL LEAD TO MORE CONSERVATION AND MORE DOMESTIC PRODUCTION. IT IS HYPOCRITICAL TO PRAISE A FREE MARKET GENERALLY AND SEEK PRICE CONTROLS IN THIS IMPORTANT INDUSTRY. DECONTROL WILL HAVE ANOTHER BENEFICIAL EFFECT WHICH HAS BEEN LARGELY OVERLOOKED IN THIS DEBATE. IT WILL MAKE ALTERNATIVE SOURCES OF ENERGY MORE COMPETITIVE. I SHOULD ADD THAT IN ADDITION TO DECONTROL WE NEED A FAIR EXCESS PROFITS TAX DESIGNED TO REQUIRE THE ENERGY COMPANIES TO PUT THEIR NEW INCOME TO WORK SOLVING OUR ENERGY PROBLEMS.

A POSITIVE APPROACH TO HEALTH INSURANCE

NOW LET ME TURN TO HEALTH CARE IN AMERICA, AND HOW BEST TO IMPROVE THE ACCESSIBILITY OF CARE TO ALL OUR PEOPLE WITHOUT BANKRUPTING THE TREASURY WE ALL WORK SO HARD TO FILL.

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IT'S NOT ENOUGH FOR YOU AND ME TO DENOUNCE FEDERALIZED MEDICINE. LAST YEAR, SOME SEVEN MILLION AMERICAN FAMILIES SPENT 18% OR MORE OF THEIR BUDGET ON HEALTH CARE. MILLIONS OF PEOPLE ARE CONFRONTED WITH ECONOMIC DISASTER IN THE EVENT OF CATASTROPHIC ILLNESS. UNLESS WE RESPOND TO THEIR CRIES FOR HELP, I ASSURE YOU WE WILL ULTIMATELY WIND UP WITH MEDICINE THAT IS GENUINELY FEDERALIZED.

THE HEALTH CARE INDUSTRY IS UNLIKE ANY OTHER; CONVENTIONAL ECONOMIC RULES RARELY APPLY. IT DISPENSES A PRODUCT USED INFREQUENTLY BY MOST OF US. WHEN WE NEED THAT PRODUCT, HOWEVER, WE NEED IT IMMEDIATELY, AND WE WANT IT TO BE PERFECT.

MOREOVER, SUPPLY AND DEMAND CAN HARDLY APPLY TO THE SAVING OF HUMAN LIVES. FINALLY, ANY ATTEMPT TO STRUCTURE HEALTH INSURANCE MUST NOT IGNORE THE UNIQUE CHARACTER AND RICH DIVERSITY OF AMERICAN HOSPITALS AND HEALTH PROFESSIONALS.

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THE OUTLOOK FOR HEALTH INSURANCE THIS YEAR

UNTIL NOW, PASSAGE OF A HEALTH INSURANCE BILL HAS BEEN FRUSTRATED BY A LACK OF CONGRESSIONAL CONSENSUS, ECHOED BY PUBLIC FAILURE TO GET BEHIND ANY ONE HEALTH INSURANCE PROPOSAL.

I BELIEVE THAT IS CHANGING. A BIPARTISAN CONSENSUS APPEARS TO BE RAPIDLY DEVELOPING FOR PASSAGE OF A CATASTROPHIC HEALTH INSURANCE MEASURE. AS A RESULT, THE QUESTION BEFORE US IS NOT SO MUCH WHETHER A HEALTH INSURANCE PROPOSAL, BUT WHEN AND HOW?

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ON ONE SIDE IS THE CARTER ADMINISTRATION. IN HIS PLAN, ANNOUNCED YESTERDAY, THE PRESIDENT HAS TRIED TO PLEASE EVERYONE AND WILL PROBABLY WIND UP PLEASING NO ONE. UNLIKE SENATOR KENNEDY, WHO AT LEAST CALLS HIS CRADLE-TO-GRAVE PROGRAM BY ITS TRUE NAME, THE PRESIDENT FUDGES HIS PLAN--PHASED-IN FEDERALIZATION, AT A COST OF \$25 BILLION FOR ITS FIRST FULL YEAR. THAT'S AN AWFUL BIG BILL FOR THE REST OF US TO ASSUME, JUST TO RECONCILE WARRING ELEMENTS WITHIN THE DEMOCRATIC PARTY.

ONLY A SHORT DISTANCE SEPARATES THE PRESIDENT FROM THOSE WHO FAVOR THE SO-CALLED COMPREHENSIVE APPROACH. UNDER THIS APPROACH, THERE WOULD BE NATIONAL AND REGIONAL CONTROLS ON SPENDING, AND VERY LIKELY A RATIONING OF HEALTH CARE BY GOVERNMENT.

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SENATOR KENNEDY AND HIS ALLIES INSIST THAT THE INCREMENTAL METHOD IS UNACCEPTABLE. THEY WOULD APPARENTLY RATHER HAVE NO CATASTROPHIC INSURANCE COVERAGE THAN PERMIT LEGISLATION TO PASS WHICH DOES NOT GUARANTEE BROAD EXPANSION OF COVERAGE IN YEARS TO COME.

THIS IS NOT HARD TO UNDERSTAND. ONCE ENACTED, A CATASTROPHIC HEALTH INSURANCE PROGRAM MIGHT SOLVE SO MUCH OF THE REAL PROBLEM AS TO ELIMINATE THE APPEAL OF THEIR EXPENSIVE AND BUREAUCRATIC BOONDOGGLE. EVEN THE PRESIDENT, IN HIS MORE MODEST PROGRAM, WOULD SADDLE TAXPAYERS WITH A \$2 BILLION BUREAUCRACY.

I BELIEVE THE TIME HAS COME TO PRESENT A HEALTH INSURANCE SYSTEM WHICH FILLS THE GAPS WITHOUT ADDING TO THE BUREAUCRATIC NIGHTMARE. LAST MARCH, I, ALONG WITH MY COLLEAGUES JOHN DANFORTH AND PETE DOMENICI, INTRODUCED S.748, THE CATASTROPHIC HEALTH INSURANCE AND MEDICARE AMENDMENTS OF 1979. THE BILL CONTAINS THREE KEY PARTS:

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FIRST IT EXPANDS MEDICARE PROTECTION AGAINST CATASTROPHIC ILLNESS. IT LIFTS LIMITS ON DAYS OF COVERAGE, PAYS FOR CERTAIN OUT-PATIENT DRUGS, AND EXPANDS HOME CARE BENEFITS. PERHAPS THE GREATEST BENEFICIARIES OF SUCH A PLAN WOULD BE AMERICA'S ELDERLY, WHO MAY ALSO BE THOSE IN GREATEST NEED.

SECONDLY, MY BILL MANDATES AT LEAST CATASTROPHIC PROTECTION BE PROVIDED BY EMPLOYERS FOR FULLTIME EMPLOYEES. SINCE SMALL EMPLOYERS IN PARTICULAR MIGHT FIND FINANCIAL RISK ENTAILED IN SUCH A PLAN, THE GOVERNMENT WOULD PROVIDE A LIMITED TAX SUBSIDY.

FINALLY, WE ASSIST THOSE NOT ALREADY COVERED IN PURCHASING PRIVATE CATASTROPHIC INSURANCE.

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NOW I REALIZE THAT NOT ALL OF YOU ARE GOING TO EMBRACE ALL PARTS OF THIS PACKAGE. BUT CONSIDER THE ALTERNATIVES: UNLIKE SOME OF MY COLLEAGUES, I DO NOT BELIEVE THAT WE SHOULD FORCE INDIVIDUALS TO PARTICIPATE IN A PLAN. EQUALLY IMPORTANT, I FAVOR MAXIMUM PARTICIPATION BY PRIVATE DELIVERY SYSTEMS. UNLIKE THE PRESIDENT, I DO WANT, NOT TO DICTATE HEALTH CARE, BUT TO BUILD UPON IT. UNLIKE SENATOR KENNEDY, I DON'T WANT THE FEDERAL GOVERNMENT TO CONSTRUCT A MASSIVE NEW BUREAUCRACY, WHILE RUNNING THE REAL RISK OF RATIONING THE CARE WE PROVIDE OUR CITIZENS.

HIS LEGISLATION, INTRODUCED A FEW WEEKS AGO, WOULD CREATE JUST SUCH A BUREAUCRATIC NIGHTMARE, TRANSFORMING THE EXISTING INSURANCE INDUSTRY, FOR EXAMPLE, INTO A MERE INTERMEDIARY OF GOVERNMENT. QUITE FRANKLY, IT SEEMS TO BE A PLAN ADDRESSED TO WARRING ELEMENTS OF THE DEMOCRATIC PARTY RATHER THAN THE REALISTIC NEEDS AND LIMITED CAPACITIES OF PRESENT DAY AMERICA.

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FORMING A CONSENSUS

THAT A NEED FOR HEALTH INSURANCE EXISTS IS CLEAR. MILLIONS OF AMERICAN FAMILIES NOW SUFFER FROM GAPS IN EXISTING PLANS, GAPS WHICH GOVERNMENT CAN FILL AT MINIMAL COST AS LONG AS WE PLACE OUR RELIANCE ON PRIVATE, NOT PUBLIC, SYSTEMS.

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YOUR VIEWS ARE GOING TO BE VERY IMPORTANT IN DETERMINING THE ULTIMATE NATURE OF HEALTH INSURANCE IN THIS COUNTRY. I SOLICIT YOUR OPINIONS AND YOUR CONSTRUCTIVE CRITICISMS. BUT BEFORE I LEAVE YOU THIS MORNING, I CANNOT FAIL TO REPEAT THE ESSENTIAL THRUST OF MY MESSAGE: HEALTH INSURANCE IS ONE OF THOSE ISSUES WHICH ARE DEBATED WITHIN A LARGER ECONOMIC SPHERE. ONLY A STRONG ECONOMY CAN SUPPORT SUCH A SYSTEM. ONLY AN ECONOMY REDEDICATED TO PRINCIPLES OF FREE ENTERPRISE AND INDIVIDUAL PRODUCTIVITY CAN ACCEPT MY CATASTROPHIC PROPOSAL INSTEAD OF THE LIKES OF SENATOR KENNEDY'S PIE IN THE SKY.

IF WE OPPOSE THE VERY CONCEPT OF HEALTH INSURANCE, WE WEAKEN OUR CHANCES OF REGAINING MASS SUPPORT FOR THE KINDS OF FISCAL AND MONETARY REFORMS REQUIRED TO TURN THIS COUNTRY AROUND. THE ISSUES ARE INSEPARABLE; I INVITE YOUR SUPPORT.