

HOME HEALTH CARE, R&D TAX
AND THE WORLD ECONOMY

Mr. GRAMM. Mr. President, let me now turn to home health care, R&D tax credit and the world economy.

HOME HEALTH CARE

We put together a bill in the Finance Committee to provide \$1 billion to the home health care industry, which has been hit by a failure of HCFA to implement a workable program to try to control the exploding cost of home health care.

As my colleagues will remember, we passed a bill to have a simple \$5 copayment for home health care. That copayment would not apply to moderate-income people who would have their cost paid by Medicaid. The administration said, no, that they could save the money in another way, that they could reform the system. So in the omnibus reconciliation bill for the 1997 budget last Congress, we gave them the ability to do that. Now they have come up with a totally unworkable program which they say they can't fix.

We responded in two ways: No. 1, we in the Senate Finance Committee came up with a bill to provide \$1 billion for home health care, and we paid for it by going back and correcting a technical error in the 1997 bill. We meant in that bill to require the Federal Government to reduce payments to health care providers for bad debt because it was producing perverse incentives where they were not trying to collect debts, since the Government paid them off 100 cents on the dollar, and where they were basically extending credit where there was no hope of collection because, again, it wasn't their money.

We meant to do that for every health care provider, but by a technical drafting error, it only applied to hospitals. So we were going to expand it to every other health care provider. It saved us about \$1 billion from current law, and we were going to provide \$1 billion for home health care relief to give the administration another year or 18 months to try to fix the problem that they have created. We have now had Members of the Senate—at least one Member—object to that funding mechanism.

Look, I don't object to the fact that Senators have a right to stop a bill in the waning hours of the session. I think that represents part of the strength of the Senate and, quite frankly, if you are going to make laws in the last hour of the session, you ought to have unanimous agreement.

I am disappointed, because I thought that was a reasonable way to try to fix the problem. We now have many other people trying to come up with ways of funding this \$1 billion, including some proposals that we have a bunch of little tax increases.

I don't think that is the way to go. I hope we can work out a compromise, but there has been so much said about this issue that I wanted to come to the floor and go on record as saying I am for the solution that we reached in the

Finance Committee that would pay for another \$1 billion of aid to home health care by changing the 1997 law to stop payments for bad debt so that if you don't collect your bills, you have to pay for it, and not the taxpayer. I hope we can work out something.

I certainly believe it is possible to come up with a solution. I thought we had a good one. Someone objected to it. So now we are scrambling trying to find another solution.

R&D CREDIT

I am for the R&D tax credit. I think it should be extended. I think the House has come up with a good extender bill. I am for the House bill. I am afraid that if we fool around trying to add items, like tax credits for biomass energy, which I think is a wasteful subsidy, that we are going to end up with one bill in the Senate, one bill in the House, and we are not going to get the tax extenders. I hope we can just adopt the House bill which deals fundamentally with the major issue in the tax extenders, and that major issue is the R&D tax credit.

WORLD ECONOMY

Finally, in the few minutes I have left, let me say a little bit about the world economy. I think that something fundamentally is getting lost in all of this discussion in the last couple of weeks about the world economy. One would think in listening to the administration and the many commentators that the problem in the world economy is that there is some economic equivalent to the flu which is going around the world and it is being caught randomly.

The plain truth is, the collapse of the economies in Asia was due to crony capitalism where government was directing capital politically rather than economically. That system failed. As a result, it pulled down the economies, first of Thailand, and now several countries in Asia, including Japan.

The solution to the problem is to end crony capitalism. The solution to the problem is to open their markets for competition from American goods and goods produced all around the world, and eliminate the crony capitalism in places like Japan, where American goods had been kept out and in the process it has weakened their economy and it has hurt the world economy. The solution is not to engage in capital controls. And the solution is not to simply have the world use its money to support economic systems that do not work.

So I think it is important to remember that the problem in the world economy is that we had countries practicing crony capitalism. I think in the end this can turn out to be a good thing, not a bad thing. I think if we reform economies in Asia, if we learn the lesson in America that the Government should not be deciding where investments are made, I think the world economy can come back and be strong.

I am very concerned about the International Monetary Fund. It was set up

at the end of World War II as part of the Bretton Woods agreement. In those days, we had fixed exchange rates, and the IMF was supposed to provide financing to make the system work. The United States, in 1969, went on flexible exchange rates. The Bretton Woods agreement died. We have not had an international financial crisis come out of America since. So IMF has been scrambling to try to find something to do.

I do not believe they have done a good job. I think in Russia they provided money most of which was simply stolen. I think they did not get the economic reforms they sought, and they squandered their money and ours. I am very concerned about what is happening in much of Asia. But I have decided, with some concrete reforms, to go along with additional money for IMF. But they are going to have to make the reforms to get the money.

The reforms are: If you want to use your money, you can do anything you want to do economically in the world. If you want to shoot your economy in the foot, or someplace worse, you have a right to do it, but you do not have a right to do it with our money. If you want our money, you are going to have to set out a plan to open up your economy for world trade, you are going to have to have movement toward free trade and free capital movement, you are going to have to set up a system where you give everybody equal justice under the law in areas like bankruptcy, and you are going to have to end crony capitalism where the kinfolks of rulers, where politically favored members of political parties, end up getting ownership of property and end up getting investment under their control.

The point is, these reforms are critically important if we are to avoid a world financial crisis. And these reforms are going to have to be made if we are going to provide the IMF the money.

I just want to respond very briefly to the representative from France, and others, who said, "How dare the United States of America try to tell us what to do." Let me make it clear, we do not care what they do with their money. But if they are going to spend our money, they are going to have to use it on programs that we believe can work. And if they do not want to do it our way, that is great, just do not take our money; and they are not going to get it unless they do it our way.

Finally, I think in some ways we are adding to the world financial crisis by using rhetoric that seems akin to the sort of "The sky is falling" logic. Crony capitalism failed. Government does not work as an allocator of capital. That is hardly a surprise, but it is a lesson that is proven in Japan and all over Asia.

I remember not long ago sitting down with a President and with a Cabinet Member and another Member of the Senate, and there was really a discussion about our Government funding

high-definition television as part of industrial policy; the Japanese were doing it, and we could lose our cutting edge in technology.

Well, what happened? Fortunately, we did not do it. I opposed it. The Japanese invested over \$1 billion in their technology, which failed. The world adopted our private technology, and we now dominate the world market. Crony capitalism does not work in America, it does not work in Japan, it certainly did not work in Korea and Thailand, and the sooner they change their system, the better off they are going to be.

If they want to set their economy right by using a system that we know works—capitalism and democracy—then we want to help. If they want to keep trying crony capitalism and socialism, we wish them good luck, we will include them in our prayers, but we will not fund that experiment, because we know it does not work.

I yield the floor.

Mr. SPECTER addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

UNANIMOUS CONSENT AGREEMENT—2-DAY CONTINUING RESOLUTION

Mr. SPECTER. Mr. President, I have been asked to make a unanimous consent request on behalf of our leader, Senator LOTT.

I ask unanimous consent that when the Senate begins consideration of the two-day continuing resolution, there be 10 minutes equally divided between the chairman and ranking minority member of the Appropriations Committee, and following the conclusion or yielding back of time, the resolution be agreed to and the motion to reconsider be laid upon the table, all without additional action or debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE BUDGET PROCESS

Mr. SPECTER. Mr. President, I have sought recognition to comment about the budget process and the status of events now pending between the Congress and the Administration.

We have come to a stage on appropriations where so many decisions are left, in the final analysis, to negotiations which involve only four Members of Congress and now the Chief of Staff of the President's administration, which I believe is far removed from the regular order of the United States Congress and the regular order as envisioned by the Constitution where the Congress legislates, presents bills to the President, and the President either signs or vetoes those bills.

We have, as we all know, 100 Members of the Senate and 435 Members of the House of Representatives. And it is my view that, if unconstitutional, it is certainly an unwise de facto delegation of power to four Members of Congress:

The Majority and Minority Leaders of the Senate, the Speaker, and the Minority Leader of the House of Representatives.

My bill is illustrative. I chair the appropriations subcommittee which has jurisdiction of three major Departments: The Department of Education, the Department of Health and Human Services, and the Department of Labor. And my staff and I worked during the month of August, a recess month, so that when we came back into session on August 31 we would be prepared, as we were on September 1, to have the subcommittee act. The full committee then acted on September 3 in an effort to have this complex and important bill considered early on by the Senate.

The bill never came to the Senate floor because of other pressing business and candidly, because the bill was so controversial that it would likely be tied up in matters which might not be resolved. However, I believe that had these issues been debated on the Senate floor, I think that they would have had chance, a realistic chance. Ultimately, with enough time and effort, we could have prevailed. Similarly, in the House of Representatives there was never floor consideration to the legislation covering these three important departments.

So the subcommittee chairman and the ranking members met and tried to work out many of the points of contention. The matters have never been considered on the floor of the Senate where under our procedures Senators have the right to offer amendments, the right to modify figures in the regular legislative consideration.

We are going to have to take a hard look at our procedures when we reconvene next January so that we go back to the regular order and to the process under which this body, the Senate, considers the legislation we have handled on the floor and then in the conference report and then present it to the President for his signature or for his veto, as he exercises his Presidential judgment.

We had a conference last Friday with representatives from the Office of Management and Budget and the chairmen of the Appropriations Committees from both Houses, as well as the chairmen of the subcommittees and ranking members. At that time we were considering an objection which the President had raised to the appropriations bill covering education. The President had just had a rose garden news conference and was very, very critical of Congress for failing to meet his demands, his requests, his priorities on education.

I was asked to participate in a responsive news conference which, unlike the President's power of the bully pulpit, received virtually no attention. The facts are these: The President has requested for education \$31,185,302,000; on Friday the House-Senate Conference Committee had come to a figure of \$31,832,358,000. Rounding off the numbers, the President was at \$31.2 billion

and the House-Senate conference was at \$31.8 billion. We were \$600 million over the President's figure. It led me at that news conference to comment that the President either did not know what the figures were or was negotiating not in good faith in representing that the Congress had not met his requests for an education funding figure.

A further controversy developed, and I believe is still pending, although those negotiations are ongoing. And minute by minute we do not know whether agreements are made or not until we hear their final report. The President asked for \$1.1 billion for classroom size. The President proposed paying for that item with the proceeds from the tobacco settlement, except there never was a tobacco settlement and we never had those proceeds to work with.

My subcommittee had anticipated that problem and had, in the report which we filed, provided for reduction in classroom size to meet what the President considered a priority. We agreed with him that it was a priority. We allocated some \$300 million for that effort. According to the information presented in our conference, the maximum expenditure for the next fiscal year would have been \$50 million. So we had adequately taken care of the President's priority and we had more than enough funding to proceed for the first year.

It was our concern that the congressional authorizing committees had not taken up the item, which should be done in the context where we saw there was adequate funding. Had we had the tobacco proceeds, I think a good bit more attention would have been paid to this. When the funding did not come through, the subcommittee made its best efforts. I believe the facts are illustrated on these items, which were the bones of contention. The subcommittee had provided more funding for education than the President had requested, and it made an appropriate allocation for classroom reduction size. Congress had done its job on education.

It is obvious that when the President speaks from that bully pulpit he may even get more attention than when a Senator addresses the same subject on the Senate floor, seen by very few people on C-SPAN2. But at least we do what we can to establish the record for the propriety of our congressional action.

The business of having 535 elected Members of the Congress delegate authority to four individual Members, short-circuiting our process, is not in the national interest.

One of the items which has been under consideration in the subcommittee has been a complex question of organ transplants. The subcommittee has adopted the recommendation of the administration, put forward by Secretary of Health and Human Services Donna Shalala, to establish regulations issued by her Department. We held a hearing on the subject and tried to