

MEDICARE HOME HEALTH AND  
VETERANS HEALTH CARE IM-  
PROVEMENT ACT OF 1998

SPEECH OF

**HON. RON PAUL**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Friday, October 9, 1998*

Mr. PAUL. Mr. Speaker, I appreciate the opportunity to explain why I must oppose H.R. 4567 even though I support reforming the Interim Payment System (IPS) and I certainly support expanding the health care options available to American veterans. However, I cannot support this bill because this solution to home care is inadequate and it raises taxes on Americans instead of cutting wasteful, unconstitutional spending to offset the bill's increases in expenditures.

I am pleased that Congress is at last taking action to address the problems created by the IPS. Unless the IPS is reformed, efficient home care agencies across the country may be forced to close. This would raise Medicare costs, as more seniors would be forced to enter nursing homes or forced to seek care from a limited number of home health care agencies. In fact, those agencies that survive the IPS will have been granted a virtual monopoly over the home care market. Only in Washington could punishing efficient businesses and creating a monopoly be sold as a cost-cutting measure!

Congress does need to act to ensure that affordable home care remains available to the millions of senior citizens who rely on home care. However, the proposal before us today does not address the concerns of small providers in states such as Texas. Instead, it increases the reimbursement rate of home care agencies in other states. I am also concerned that the reimbursement formula in this bill continues to saddle younger home health agencies with lower rates of reimbursement than similarly situated agencies who have been in operation longer. Any IPS reform worthy of support should place all health care agencies on a level playing field for reimbursements.

A member of my staff has been informed by a small home health care operator in my district that passage of this bill would allow them only to provide an additional eight visits per year. This will not keep home health patients with complex medical conditions out of nursing homes and hospitals. Congress should implement a real, budget-neutral home health care reform rather than waste our time and the taxpayers' money with the phony reform before us today.

Mr. Speaker, I also support the language of the bill expanding the health care options available to veterans' benefits. Ensuring the nation's veterans have a quality health care system should be one of the governments' top priorities. In fact, I am currently working on a plan to improve veterans' health care by allowing them greater access to Medical Savings Accounts (MSAs). However, I cannot, in good conscience, support the proposals before us today because, for all their good intentions, it is fatally flawed in implementation for it attempts to offset its new spending with a tax increase.

Now I know many of the bill's supporters will claim that this is not a tax increase just an adjustment in the qualifications for a tax benefit

or tightening a tax loophole. However, the fact is that by raising the threshold before a taxpayer can rollover their traditional IRA into a Roth IRA the federal government is forcing some people to pay higher taxes than they otherwise would, thus they are raising taxes. It is morally wrong for Congress to raise taxes on one group of Americans in order to provide benefits for another group of Americans.

Instead of raising taxes Congress should "offset" these programs by cutting spending in other areas. In particular, Congress should finance veterans health care by reducing expenditures wasted on global adventurism, such as the Bosnia mission. Congress should stop spending Americans blood and treasure to intervene in quarrels that do not concern the American people.

Similarly, Congress should seek funds for an increased expenditure on home care by ending federal support for institutions such as the International Monetary Fund (IMF), which benefit wealthy bankers and powerful interests but not the American people. At a time when the federal government continues to grow to historic heights and meddles in every facet of American life I cannot believe that Congress cannot find expenditure cuts to finance the programs in this bill!

Mr. Speaker, I must also note that the only time this Congress seems concerned with off-sets is when we are either cutting taxes or increasing benefits to groups like veterans or senior citizens. The problem is not a lack of funds but a refusal of this Congress to set proper priorities and put the needs of the American people first.

In conclusion, Mr. Speaker, I call upon this Congress to reject this bill and instead support an IPS reform that is fair to all home care providers and does not finance worthwhile changes in Medicare by raising taxes. Instead, Congress should offset the cost to these worthy programs by cutting programs that do not benefit the American people.

HONORING SUNY BROOKLYN PRO-  
FESSOR ROBERT FURCHGOTT  
RECIPIENT OF THE NOBEL PRIZE  
FOR MEDICINE

**HON. EDOLPHUS TOWNS**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 13, 1998*

Mr. TOWNS. Mr. Speaker, I rise today to honor distinguished Professor Emeritus Robert Furchgott recipient of the Nobel Prize for Medicine.

Professor Furchgott received the Nobel Prize for Medicine as a much deserved salute for a long, distinguished and continually evolving career. Furchgott's love for science began as a young man growing up in the great state of South Carolina. After earning a doctorate in biochemistry at Northwestern University in Illinois, he headed to New York's Cornell Medical Center. In 1956, he landed a position at SUNY Downstate (now called SUNY Health Science Center in Brooklyn). He remained there until his retirement in 1989, and is now a professor emeritus.

Doctor Furchgott, always modest and unassuming, stated that a lucky mistake led to his discovery of the role in nitric oxide in vascular relaxation. Those that know him best know

that this is his style. The Nobel Prize was not only for his pioneering discovery but it is also in recognition of his years of hard work and perseverance. Even as a tireless researcher, he has also been dedicated to the responsibility of shaping the next generation of pioneers. He never turns down students' request to read their research papers.

The professor, a giant in the field of medicine, is truly a role model and an inspiration for our children. A man of great conviction and passion for increasing the body of medical knowledge we will all benefit from, Mr. Speaker, I ask you and my colleagues on both sides of the aisle to join me in saluting the achievement of Professor Robert Furchgott.

DANTE B. FASCELL NORTH-SOUTH  
CENTER ACT

SPEECH OF

**HON. TOM LANTOS**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Monday, October 12, 1998*

Mr. LANTOS. Mr. Speaker, I join the Chairman of the International Relations Committee, Mr. GILMAN of New York, and the Ranking Democratic Member of the Committee, Mr. HAMILTON of Indiana, in strongly supporting this legislation to rename the North South Center as the Dante B. Fascell North South Center.

Mr. Speaker, I had the great honor of serving in this House for 12 years without our distinguished former colleague from Florida, Dante B. Fascell, and for almost a decade of my service in the House, he was the Chairman of the House Foreign Affairs Committee. In that position he played a critical role in dealing with many of the vital foreign policy issues of that time—the Iran-Contra scandal, the collapse of the Soviet Union, the effort to encourage the democratic political transition and the development market economies in the republics of the Newly Independent States and the countries of Central and Eastern Europe, the end of the Berlin Wall and the unification of Germany, the outrageous suppression of democracy and free speech at Tiananmen Square in Beijing.

Dante was a critical player, Mr. Speaker, when the House of Representatives considered the War Powers Act in 1974, and throughout his service in the Congress, he was adamantly committed to assuring the importance of the Congressional role in the formulation of our Nation's foreign policy. In the 1970's the Conference on Security and Cooperation in Europe took place with the involvement of the nations of both Western and Eastern Europe and the United States in an effort to improve relations between Western Europe and the Soviet Union and its client states. At this crucial time, Dante was one of the most insistent and effective voices in advocating the importance of respect for human rights as a key element of any agreement with the communist countries. It was largely through his leadership that the United States Commission on Security and Cooperation in Europe—the Helsinki commission—was established.

Among the most farsighted concerns upon which Chairman Fascell focused his energies and attention, however, Mr. Speaker, was the

effort to improve and strengthen United States relations with the nations of the Western Hemisphere, including Latin America, the Caribbean, and Canada. Among his most lasting contributions in this regard was his important legislation to establish the North South Center at the University of Miami in 1990.

Mr. Speaker, Dante Fascell worked tirelessly to promote democracy and foster an open dialogue among the nations of this hemisphere. His efforts in this regard were important in advancing our nation's security, competitiveness and economic viability. The East West Center has played a vital role in the national debate on the role of the United States in the Western Hemisphere. The Center has done important work in focusing on regional topics of great importance to our nation—trade, economic growth, immigration, drug policy and drug control, and the spread of democracy and market economics.

In light of Dante's distinguished record of service in this body and the critical contributions which he and the North South Center have made in our nation's foreign policy in this hemisphere, Mr. Speaker, it is entirely appropriate and fitting that we rename the North South Center in his honor. I strongly support this legislation, and I urge my colleagues to support it as well.

#### FREE MARKETS, NOT THE IMF, IS THE ANSWER TO GLOBAL ECO- NOMIC CRISIS

**HON. PHILIP M. CRANE**

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 13, 1998*

Mr. CRANE. Mr. Speaker, one of the biggest issues being negotiated between our Congressional Leadership and the White House is funding for the International Monetary Fund, the IMF. Indeed, debate over how best to address the various international financial crisis de jour is taking place all over the world.

I urge the Leadership to consider the thoughts of monetary policy experts like the Nobel Prize winning economist Milton Friedman. Specifically, I commend to my colleagues' attention an article from the Tuesday, October 13, 1998 edition of the Wall Street Journal by Mr. Friedman entitled: "Markets to the Rescue".

Among other ideas, Mr. Friedman suggests that the IMF's interventions in markets around the world has caused or exacerbated the various economic crises which, in turn, are having a significant impact on the otherwise healthy U.S. economy.

I urge my colleagues to consider what Mr. Friedman has to say about the IMF before we give one more dime of our taxpayers' money to that international agency.

[From the Wall Street Journal, Oct. 13, 1998]

MARKETS TO THE RESCUE

(By Milton Friedman)

The air is rife with proposals to reform the International Monetary Fund, increase its funds and create new international agencies to help guide global financial markets. Indeed, Congress and the Clinton administration spent much of the last week's budget negotiations fine-tuning the details of the U.S.'s latest \$18 billion IMF subvention

package. Such talk is on a par with the advice to the inebriate that the cure for a hangover is the hair of the dog that bit him. As George Shultz, William Simon and Walter Wriston wrote on this page in February: "The IMF is ineffective, unnecessary, and obsolete. We do not need another IMF. . . . Once the Asian crisis is over, we should abolish the one we have." Centralized planning works no better on the global than on the national level.

The IMF was established at Bretton Woods in 1944 to serve one purpose and one purpose only: to supervise the operation of the system of fixed exchange rates also established at Bretton Woods. That system collapsed on Aug. 15, 1971, when President Nixon, as part of a package of economic changes including wage and price ceilings, "closed the gold window"—that is, refused to continue the commitment the U.S. had undertaken at Bretton Woods to buy and sell gold at \$35 an ounce. The IMF lost its only function and should have closed shop.

#### INTERNATIONAL AGENCIES

But few things are so permanent as government agencies, including international agencies. The IMF, sitting on a pile of funds, sought and found a new function: serving as an economic consulting agency to countries in trouble—an agency that was unusual in that it offered money instead of charging fees. It found plenty of clients, even though its advice was not always good and, even when good, was not always followed. However, its availability, and the funds it brought, encouraged country after country to continue with unwise and unsustainable policies longer than they otherwise would have or could have. Russia is the latest example. The end result has been more rather than less financial instability.

The Mexican crisis in 1994-95 produced a quantum jump in the scale of the IMF's activity. Mexico, it is said, was "bailed out" by a \$50 billion financial aid package from a consortium including the IMF, the U.S., other countries and other international agencies. In reality Mexico was not bailed out. Foreign entities—banks and other financial institutions—that had made dollar loans to Mexico that Mexico could not repay were bailed out. The internal recession that followed the bailout was deep and long; it left the ordinary Mexican citizen facing higher prices for goods and services with a sharply reduced income. That remains true today.

The Mexican bailout helped fuel the East Asian crisis that erupted two years later. It encouraged individuals and financial institutions to lend to and invest in the East Asian countries, drawn by high domestic interest rates and returns on investment, and reassured about currency risk by the belief that the IMF would bail them out if the unexpected happened and the exchange pegs broke. This effect has come to be called "moral hazard," though I regard that as something of a libel. If someone offers you a gift, is it immoral for you to accept it? Similarly, it's hard to blame private lenders of accepting the IMF's implicit offer of insurance against currency risk. However, I do blame the IMF for offering the gift. And I blame the U.S. and other countries that are members of the IMF for allowing taxpayer money to be used to subsidize private banks and other financial institutions.

Seventy-five years ago, John Maynard Keynes pointed out that "if the external price level is unstable, we cannot keep both our own price level and our exchanges stable. And we are compelled to choose." When Keynes wrote, he could take free capital movement for granted. The introduction of exchange controls by Hjalmar Schacht in the 1930's converted Keynes's dilemma into a

trilemma. Of the three objectives—free capital movement, a fixed exchange rate, independent domestic monetary—free capital movement, a fixed exchange rate, independent domestic monetary policy—any two, but not all three, are viable. We are compelled to choose.

The attempt by South Korea, Thailand, Malaysia and Indonesia to have all three—with the encouragement of the IMF—has produced the external financial crisis that has pummeled those countries and spread concern around the world, just as similar attempts produced financial crisis in Britain in 1967, in Chile in the early 1980's, in Mexico in 1995 and in many other cases.

Some economists, notably Paul Krugman and Joseph Stiglitz, have suggested resolving the trilemma by abandoning free capital movement, and Malaysia has followed that course. In my view, that is the worst possible choice. Emerging countries need external capital, and particularly the discipline and knowledge that comes with it, to name the best use of their capacities. Moreover, there is a long history demonstrating that exchange controls are porous and that the attempt to enforce them invariably leads to corruption and an extension of government controls, hardly the way to generate healthy growth.

Either of the other alternatives seems to me far superior. One is to fix the exchange rate, by adopting a common or unified currency, as the states of the U.S. and Panama (whose economy is dollarized) have done and as the participants in the Euro propose to do, or by establishing a currency board, as Hong Kong and Argentina have done. The key element of this alternative is that there is only one central bank for the countries using the same currency: the European Central Bank for the Euro countries; the Federal Reserve for the other countries.

Hong Kong and Argentina have retained the option of terminating their currency boards, changing the fixed rate, or introducing central bank features, as the Hong Kong Monetary Authority has done in a limited way. As a result, they are not immune to infection from foreign-exchange crises originating elsewhere. Nonetheless, currency boards have a good record of surviving such crises intact. Those options have not been retained by California or Panama, and will not be retained by the countries that adopt the Euro as their sole currency.

Proponents of fixed exchange rates often fail to recognize that a truly fixed rate is fundamentally different from a pegged one. If Argentina has a balance of payments deficit—if dollar receipts from abroad are less than payments due abroad—the quantity of currency (high-powered or base money) automatically goes down. That brings pressure on the economy to reduce foreign payments and increase foreign receipts. The economy cannot evade the discipline of external transactions; it must adjust. Under the pegged system, by contrast, when Thailand had a balance of payments deficit, the Bank of Thailand did not have to reduce the quantity of high-powered money. It could evade the discipline of external transactions, at least for a time, by drawing on its dollar reserves or borrowing dollars from abroad to finance the deficit.

Such a pegged exchange rate regime is a ticking bomb. It is never easy to know whether a deficit is transitory and will soon be reversed or is a precursor to further deficits. The temptation is always to hope for the best, and avoid any action that would tend to depress the domestic economy. Such a policy can smooth over minor and temporary problems, but it lets minor problems that are not transitory accumulate. When that happens, the minor adjustments in exchange rates that would have cleared up the