Resist government arrogance, or suffer!

By
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"In every discussion of the problems confronting us today, the question arises, 'What should government do about them?' . . . By going outside its proper province as it has, government has already done too much. Government is not the answer. Government is the problem."

Ronald Reagan

For more than a decade, Ronald Reagan has been a leading voice for responsible conservatism and an outspoken advocate of the American free-enterprise system. As governor of California (1966-75), he fought for more efficient and less expensive government. He helped lay the groundwork for Proposition 13 and his ideas permeated the Republican platform of 1976.

Fighting excessive federal interference

May I confess to something, even with a father-in-law who is a surgeon, one thing I've never been able to learn about your profession, where do you learn to write those prescriptions?

I have a friend, and he's an absent-minded professor type. The doctor gave him a prescription. He put it in his billfold and then absent-mindedly forgot all about it. Sometime later when he took it out he couldn't remember what it was for. He showed it to the conductor on the commuter train and for two years rode free. They thought it was a railroad pass. Once he got into a ball game with it. He showed it to the cashier where he worked, and she thought it was a note from the boss and gave him a raise. He laid it down on the table at home, his daughter picked it up, played it on the piano, and won a scholarship to the National Conservatory.

Seriously, I know something of the effort that you are making to counter the excessive interference by government in the delivery of health care, and I applaud you. But there has never been a greater need for communications than there is today. I recently saw a national poll in which 90% of the people polled said yes, there is a health care crisis in the United States. But then the poll continued saying, "Well no," 90% of them didn't have any problem themselves.

They had doctors available; there were medical care and medical centers and facilities within reach, but there's this misconception, this mythology that 90% of the people have been led to believe that there's a health care crisis in America, but it affects someone else. When they are pinned down individually they don't have any health care problem. And that's why your communication must go beyond communicating just with each other and just with patients.

I think there must be an exchange of information. The most wonderful thing I have seen in all my touring of the mashed potato circuit is in this gathering here tonight with these representatives of the Farm Bureau. It is this way that we must find out about each other's problems, because we all suffer from the same thing.

Now I have a story that illustrates good communications and I like to tell it because communication is more than a willing speaker and a willing listener. This story came to me by way of Danny Villanueva, who used to place kick for the Los Angeles Rams and later the Dallas Cowboys. He retired to become a sports announcer. He told me he was having dinner at the home of a young Dodgers ballplayer. The young wife was bustling about getting the dinner ready. They were talking sports and the baby started to cry and over her shoulder she said to her husband, "Change the baby."

He was embarrassed in front of Danny and he said, "What do you mean change the baby? I'm a ball player. That's not my line of work." She said, "Look buster, you lay the diaper out like a diamond, you put second base on home plate, put the baby's bottom on the pitcher's mound, hook up first and third, slide home underneath, and if it starts to rain and the game ain't called, you start all over again."

"The United States merits the distinction of having discarded its past and its meaning in one of the briefest spans in modern history."

In every discussion of the problems confronting us today, the question arises, "What should government do about them?" May I suggest that by going outside its proper province as it has, government has already done too much. Government is not the answer. Government is the problem. Possibly it began with the traumatic experience of the great depression. It was then that we turned to government for answers that government has neither the right nor the capacity to provide.

Somewhere along the way we forgot that government has a built-in tendency to grow—any government—just government as an institution. And it grows beyond the consent of the governed. An example, in England in the year 1803 they stand on the white cliffs of Dover with a spyglass. They were to ring a bell if they saw Napoleon coming. They didn't get rid of that job until 1945. In his memoirs, Arthur Krock, Washington Bureau Chief of the New York Times, has written, "The United States merits the distinction of having discarded its past and its meaning in one of the briefest spans of modern history."

In 1930, government—federal, state, and local—took a dime out of every dollar earned. Less than a third of that paid for the federal government. Today those governments are taking 44 cents out of every dollar earned and two-thirds of that goes to Washington.

It prorates out the cost of government to $9,600 per family for every family in our land. And yet it is not one of the factors used in computing the cost of living index. Possibly because government profits by inflation.

In my own state of California, every time inflation goes up a dime the state of California gets 17 more cents in tax revenue. A supreme court justice has said the time has come, indeed is long overdue, for the wisdom, ingenuity, and resources of American business to be marshalled against those who would destroy it. And a first essential is for the businessman to confront the problem as a prime responsibility in your own profession.

The deterioration of every government begins with the decay of the principle upon which it was founded. That's as true today as it was on the day it was written in 1748. What we have to do is restore the tenth article of the Bill of Rights, the principle of federalism in our land. This was the principle that said the federal government shall do only those things specifically designated in the U.S. Constitution and all others shall remain with the states and with the people.

The administration in Washington implies that you have helped somehow in causing the inflation which has gone on now for the longest sustained period in world history. And so we now see the administration doing what Washington calls jawboning. They jawbone business, labor, the professions, and the hospitals that they would control. Now I know that Samson used the jawbone of an ass to slay the Philistines, but it is hardly an appropriate tool for running the country.

The truth is that inflation is caused by government. It's caused by government spending more than it takes in, and it will go away just as soon as government stops doing that.

But more than that, to show you how far we've gone, I don't know whether you are aware of this or not, but more than half of the population, or 124 million Americans, are directly dependent on tax dollars for all or the greater part of their living. How long can this go on? How much time do we really have? There's a widespread belief in a political and economic mythology created by political demagogs.

There's an intolerable interference in the market place urged on by spokesmen for a variety of causes, some worthy in themselves but questionable as to whether they are a proper concern on government. You know the German statesman Von Bismarck years ago said, "If you like sausages and laws you should never watch either one of them being made."

Profit is a dirty word blamed for most of our social ills. Free enterprise is becoming far less free in the interest of something called consumerism. And property rights are fast being eroded in the

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name of environmental protection. It is time that we reminded ourselves that profit, property rights, and freedom are inseparable and you can't have the third unless you continue to be entitled to the first two. But intellectuals in the groves of academia contend that the answer to our problems is the adoption of more of the features of socialism. You can hardly call the eminent scholars ignorant, it's just that they know so much that isn't true.

The miracle of capitalism is self-evident. Government has declared as the poverty level in the United States a standard of living for all the rest of the world. We eat better for a lower percentage of our earnings than any other people on earth. A visitor to our shores, more than a century ago when our prosperity had made us a world miracle, wrote a book about it. But even while he was praising that miracle, marveling at it, he warned us.

He included in his book the statement that we should be on guard lest we find ourselves covered by a network of regulations. And he said if that came to pass, we would one day become a nation of timid animals with government the shepherd. How right he was, because today we're covered by tens of thousands of regulations. Each year we adopt enough new ones to fill 70,000 pages of the Federal Register.

A study of the 700 largest corporations proves that by eliminating unnecessary regulation, we would instantly cut the rate of inflation in half. Dow Chemical spent $186 million last year complying with regulations, General Motors $3.25 billion in the last two years. In the next five years Bethlehem Steel, already in financial trouble, expects to spend $550 million on environmental protection facilities and $75 million a year to operate and maintain them. All of these things will reduce the output of those companies but increase the price.

The textile industry puts in 538,000 man hours a year filing reports required by government. Four-fifths of them have no value for internal use of the industry whatsoever.

President Carter is complaining about the high cost of hospitals. Well, something can be done to relieve that. There are 164 agencies regulating hospitals alone. The paperwork associated with that adds $35 per patient to hospital costs. The president of Eli Lilly says that the paperwork required by government is adding 50 cents to the cost of every prescription written in the United States. And he said his company spends more man hours per year on government paperwork than it does on cancer and heart research combined.

I was in Indiana recently making a speech. There's a fellow there who has a little shop with seven employees. At the front of his shop is a 12-foot door, at the back of his shop, a 12-foot door. The Occupational Safety and Health Agency came in and told him he had to put up exit signs. OSHA said he might have a new employee who in the event of fire would become confused and not be able to find his way out. And the boss asked a pretty logical question. He said "If he can't see a 12-foot door, how's he going to see an exit sign?"

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Now I'm sure that everyone in this room at some time or another has climbed a ladder. How we did it without OSHA's 144 rules for ladder climbing I'll never know. The first one of which is that in order to climb a ladder you begin by facing it. Now you know we never would have thought of that by ourselves. The General Accounting Office in Washington is responsible for public employee safety. They recently inspected the headquarters building of OSHA. They found it in violation of 300 of OSHA's own safety regulations for the rest of us.

A year or so ago, the Department of HEW threw a bombshell at the medical profession. Their computers told them that there were 409 medical practitioners, 1700 groups and clinics, and 53 laboratories that had collected more than $100,000 each in Medicare payments in the year 1975. Now there was no doubt that HEW implied that someone was ripping off the government. After all, what could you do for a Medicare patient that would be worth $100,000 a year. One well-known surgeon was held up to view as having received $269,295. The result was what HEW must have anticipated it would be. The doctors on the list were abused by their colleagues. Some of their children were beaten up on the school grounds because of the supposed sins of their fathers.

In one case the final state appropriations were withheld from the hospitals of that state. The overall medical profession got a black eye. It seems, however, that a few errors had been made.

One doctor listed as having received $115,000 actually had received $15,000. Another had retired in 1963 and moved to another state where he practiced no medicine at all. One had died three years before he was supposed to have participated in the rip-off.

In 64 cases HEW had named doctors as having incomes they didn't have; 352 others in group practice had total income reported as income of a single doctor. More than a quarter of a million dollars credited to that well-known surgeon had gone to the entire department of surgery at the Baylor College of Medicine. When these things were pointed out to the Secretary of HEW, he said that he regretted any inconvenience for the physicians whose records were incorrectly reported. Government pays a very small price for the damage it can do to a citizen and institution or a business or industry.

Government harassment and interference does

"I worry that the great corporations have abdicated their responsibility to preserve the free market place."

not stop with one profession alone. Who better than those associated with medicine could pass the word on that you cannot socialize the doctor without socializing the patient. Too many of us, business and industry, have switched rather than fight.

I worry that the great corporations have abdicated their responsibility to preserve the free market place. Is it a reluctance to rock the boat, or has freedom become so eroded that we fear retaliation? One thing we'd all better learn and learn very quickly, when you get in bed with government you're going to get more than a good night's sleep.

There are alternatives to this. You can fight city hall. Out in New Mexico there's a husband and wife who own a company in their back yard. They have five employees. She's president of the company. A couple of OSHA inspectors came to their door, wanted in. They'd fine them automatically if they found any safety violations. Madame president asked, "Where's your warrant?" They replied, "We don't need one." She said, "You do to come in here." She closed the door.

They went away and came back with a warrant. She had her lawyer with her. He read the warrant and said it does not show probable cause. Madame president closed the door again.

There was a fellow up in Pocatello, ID. He had a subcontracting business in plumbing and electrical work. He and his sons had 35 employees. He wondered what he'd do if they ever came. He'd heard about the woman in New Mexico. Finally, they came to his door. He asked for a warrant. They read him paragraph 8A of the OSHA Act that said they didn't need one. He pointed to a framed copy of the U.S. Constitution on the wall and said, "I think that is a higher law."

Well, they too had heard of the lady in New Mexico, so they came back not with a warrant but with a court order. He defied it and was cited for contempt. His lawyer tried to talk him out of it. His family tried to talk him out of it. The government was too big for him to fight. And I love his answer. He said, "You know, we sent our young men out to fight and die for freedom. Maybe it's time us old duffers did something about it." A few weeks ago in Washington, D.C. the Supreme Court upheld the ruling in his favor and today you can say to the OSHA inspectors "not without a warrant showing probable cause do you get in here."

But why don't more of us challenge the arrogance of officialdom? We're organized in a variety of ways as you are organized here, like the Farm Bureau. Corporate America's allies are the independent businessmen and women. There are 500,000 of them in an organization in this country. Professional groups such as yours and the Farm Bureau. Meet with them and set up communications between these groups to rally to the aid of individuals, industries, and professions when they are threatened by the barons of bureaucracy. Discover from each other what some are doing.

I'm sure that with your political action committee you have much that you could tell other groups that they could then begin doing. But most of all between you you could turn the spotlight of truth on the political and economic mythology that I mentioned. A recent poll of college and university students found that the overwhelming majority estimated that profits in American business aver-

aged 45%. Now that's just nine times what they average in a normal year. It's understandable the kids made that mistake. In the same poll the professors guessed the profits were even higher.

Now, corporate America is not in the hands of a few idle rich. One third of the equity capital in American industry and businesses is owned by employee pension funds; 380 million life insurance policies are based on investment of premiums in business and industry in America. Turn

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the spotlight of truth on the demagoguery of tax loopholes - that everyone who's making a buck or two has a smart lawyer and is escaping his just share of the tax burden, that the lower income people, they're paying it all.

How many of you know that at around $20,000 of earnings you become part of a very exclusive club - you are in the 10% of top earners in the United States and you pay 50% of the total income tax and you only take 5% of all the deductions that are taken and allowed under the so-called loopholes in the tax laws.

There's the demagoguery that business can be made to pay a greater share of the tax. Politicians preaching this aren't deliberately dishonest. They are economically illiterate. Who better than business itself to explain to everyone that business doesn't pay taxes. Business collects taxes for government. Only people pay taxes, from the farm, from mining the drilling, all the way through processing, transportation, to manufacture and assembly and on out to the retail tax.

If the taxes accumulated cannot be put into the final price paid by the average citizen then no one along the line can stay in business. There are 151 taxes in a loaf of bread, and they make up more than 50% of the price. Now politicians love these hidden sales taxes, because it hides the true cost of government. How many of us are aware—how many of the people are aware—that the tax policy of this country is no longer one of just raising needed revenue?

An undersecretary of the treasury some years ago told a congressional committee that taxes had a higher purpose. They could be used to distribute wealth and income and penalize particular industries and economic groups. And here we have the cause for much of the disruption of the market place. Washington talks tax reform. The only real reform is to reduce the cost of government which has become a drag on the economy.

The total public and private debt is increasing four times as fast as the output of goods and services. I think all of us are aware that the public debt is now in excess of $800 billion, but how many of us know what the real national debt is? In unfunded obligations, in unfunded liabilities for pension funds, etc., the federal government of the United States actually is in debt some $7 trillion and government's been using some exotic bookkeeping tricks to hide this fact from the people. That debt doesn't include Social Security's actuarial imbalance on a 75-year period which is $17 trillion in today's dollars not allowing for future inflation. Trillions we have to get used to now.

We're just getting used to billions, but does anyone know how much a billion is? A single billion? A billion minutes ago Christ was walking on this earth. A billion hours ago our ancestors lived in caves. If you gentlemen would send your wives out on a shopping spree and gave each of them $1 billion and told them not to spend more than $1000 a day, they wouldn't come home for 3,000 years.

But $1 billion in Washington D.C. was burned up in the last 19 hours, and it will be another billion in the next 19 hours and when they pass the new budget it will probably be up around $1.5 billion. But government goes right on developing miracle cures for which there are no known diseases.

Federal budget deficits must be reduced and eliminated but not in the unproductive ways the administration proposes, maintaining as much as possible of the tax base. We need large and frequent across-the-board tax reductions. We could use Representative Steiger's bill for a return of the capital gains tax down to what it was before the 1969 change. The *Los Angeles Times* some months ago carried a pro and con series of articles, one side devoted to the pro and the other side to the con and this was with regard to national health insurance.

The writer who was advocating national health insurance accused the entire health care field, doctors and hospitals, drug manufacturers, and the surgical equipment industry of being motivated by greed alone. He gave as the only solution cradle-to-the-grave health coverage for everyone regardless of economic status. All the health care services, the office calls, the home visits, the hospital care, dental, mental health, drug rehabilitation, therapy and nursing homes, no deductibles, co-insurance or out-of-pocket costs whatsoever, a nationwide network of community clinics readily accessible to all and the elimination of profit, all profit, from all health care.

Control of all pharmaceutical and hospital supply and equipment companies, control of hospitals and clinics would be by boards elected from the areas which they serve. He would order a living wage for all health care personnel including doctors. Then he claimed that such a tax-structured system would be provided at four-fifths the present cost of health care in America.

Now that's a ridiculous statement! HEW's study of the Kennedy-Corman bill sets the cost at $248 million. The total cost of our present pluralistic system last year was $140 billion. We have government medicine in this country, a couple of programs. We have the Veteran's Administration. Now no one's advocating that we close down and take away from these deserving veterans the care that they must have.

It is significant, however, that the average stay for medical patients in private hospitals averages eight days and in the Veteran's Administration it averages 26½. The nursing care for private care in a hospital is $218, in the Veteran's Administration it is $580. Why can't we look at other countries and compare ourselves and what we have here with them? Virtually all of Europe's socialized medicine plans are afflicted with rising costs, underfunding, bureaucratic ineptness, quality decline, overusage of personnel, and facility shortage and the lack of capital for scientific modernization. Britain has made cutbacks and attempted sweeping reform.

A senior official there says yes, we have gone too far. The waits for medical service are growing longer, the fees have doubled. In England a sociologist has said that medical nursing and paramedical personnel, most of whom enthusiastically accepted the challenge of the British National Health Service, are now soured, disenchanted, and militantly organized in their own special interests. Public administrations override the independence of professional medical opinion.

Progress raises expectations which can't be fulfilled. And he went on to say the best professionals are few in number, therefore it is impossible for more than a few to receive the best care. The latest scientific techniques rest upon expensive equipment. Therefore only a few enjoy the benefits. Neither socialized nor private medicine can change these basic facts, but socialized medicine induces the belief that it can.

"Make no mistake about it . . . within government there is hostility toward the private sector, toward business, toward the whole idea of anything or anyone who can show a profit."

In Sweden a senior official says the wait for medical services is growing longer, the fees have doubled, and the new hospital in Stockholm stands half completed for lack of funds. Doctors leave the country in the summer to escape the confiscatory taxes.

Incidentally, two years ago the Swedes went to the polls and voted against Karl Marx. I think what triggered it was a change in the income tax. They set the rate of tax on $33,000 of earnings at 102%. In the Scandanavian countries, alcoholism, drug-addiction, VD, mental illness, and suicide rank among the highest anywhere. And as I say, last year they put an end to socialism. Yet once it is installed, no one has made a move yet to free medicine and put it back in the free economy. Frenchmen say they spend all their time filling out forms. Holland has suspended medical education because of a lack of funds. Israel has cut back on free prescriptions because the people are taking medicines they don't need, because they are free. In Russia the low quality program of paramedic service is so out of hand that abuse of the system is now a capital offense.

The administrator in Denmark says don't ask me how to control medical costs. Yet Senator Edward Kennedy visited a nursing home in Denmark for two hours and came back and reported that their program of government medicine was a huge success. You shouldn't have to continue your lonely fight against socialized medicine. But at the same time, you should agree that we cannot let the energy industry go ahead battling government—leaving that problem to just the oil and gas producers alone. Government caused the problem with its price-fixing and its interference.

Now they've added a new agency with 20,000 employees. The budget for the first year of the Energy Agency is as great as the total income derived at the wellhead from all of the oil and gas produced in the U.S. Everyone has a stake in that problem. Government caused it. It's the first step toward nationalization of the energy industry. Our problem isn't a shortage of fuel; it's a surplus of government. Government-invoked panic.

They once told us that we'd found all the oil and natural gas that was on the continent, and perhaps in the world. How many of you remember that they told us that 58 years ago in 1920? The government said we only had enough oil left for 15 years. Nineteen years later they said we only have enough left for 13 years. We've done a lot of driving since then and we'll do a lot more if government will simply get out of the way and let the energy industry operate in the free market place the way it should.

Make no mistake about it, and I'm talking now of the bureaucratic structure of government as well as many who are elected officials within government, there is hostility toward the private sector, toward business, toward the whole idea of anything or anyone who can show a profit. In California our legislators are still talking about using tax dollars to create a bank, state owned, to compete with privately owned banks.

In Massachusetts they have a new bank commissioner who says that banks focus almost entirely on financial soundness. She wants to change that. But there is help. A group of industries, in combination with the Graduate School of Business of USC, have seminars all over the country. They have complete kits now for the same thing that you're doing—to teach businessmen how to communicate with customers, with employees, and with stockholders.

For 200 years this system has made us the refuge for people from all over the world. This system has never failed us once. We failed it. We're failing it now when we lose our faith in the magic of the market place. It's been said that history is the patter of silken slippers descending the stairs and the thunder of hobnail boots coming up. Back through the years we've seen people fleeing the thunder of those boots to seek refuge here.

I think most of us have had the experience of an acquaintance, a friend who came to this country as a refugee who now comes to us and says, "I see the signs that I ignored in my own country before I had to flee, and you're not paying any attention to those signs as we didn't pay attention." And then usually they'll say, "Are we going to have to flee again?" Except they answer their own question and say, "Flee to where?" Where in the world is there freedom left if it's lost in the United States?

Will we, before it is too late, use the vitality, the magic of the market place to save this way of life or will we take the chance that one day we may face our children or our children's children when they ask us where we were and what we were doing on the day that freedom was lost.

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