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THE CHANGING CHALLENGE FOR AMERICA

Moderator: Walter S. Rugland
Speaker: President Gerald R. Ford*

MR. WALTER S. RUGLAND: Gerald R. Ford served as the 38th President of the United States from August 9, 1974 until January 20, 1977. This followed a distinguished career, which began at our common alma mater, the University of Michigan, but formally began in 1948 when he was elected to the U.S. House of Representatives. He was reelected every two years after that through 1972, serving 25 years in the House. President Ford served on the House Appropriations Committee for 14 years and became a recognized expert on defense and foreign aid. He was elected Chairman of the Republican Conference in 1963 and was chosen Minority Leader in 1965. He was also permanent Chairman of the 1968 and 1972 Republican National Conventions.

In November 1963, President Lyndon Johnson appointed him a member of the Presidential Commission to investigate the assassination of President John F. Kennedy. In 1965 he authored, with John R. Stiles, the book *Portrait of the Assassin*. Since leaving the White House, President Ford has published his autobiography, *Time To Heal*, in 1979, which included his years as President. In 1981, the Gerald R. Ford Library in Ann Arbor, Michigan and the Gerald R. Ford Museum in Grand Rapids, Michigan were dedicated.

Conferences at those sites have dealt with the Congress, the presidency, foreign policy, Soviet-American relations, German reunification, the Atlantic alliance, the future of American foreign policy, national security requirements for the 1990s, humor in the presidency, and the role of first ladies. Following the humor in the presidency conference, President Ford's book, *The Humor in the Presidency*, was published in 1987.

PRESIDENT GERALD R. FORD: I might say that your comments are a lot nicer than the kind of comments that I ordinarily get from my golfing partner, Bob Hope. Let me illustrate. Last spring, Bob and I were playing in the Dinah Shore Pro Am in the Palm Springs area. As we went to the first tee, a lady in the audience, as Bob was putting his ball down, said, "Bob, what's your favorite foursome?" Bob turned around, looked at the lady, and said, "My favorite foursome? Gerry Ford, a faith healer, and a paramedic."

Bob is a great, great guy, and he and his wife, Dolores, are very, very dear friends of my wife, Betty, and myself. I think he's one of our truly great Americans. He does so much for charity all over the country and around the world for men and women in the Armed Forces. But I resent Bob going around the country commercializing on my golfing inadequacies. For example, he tells these huge audiences that I've made golf a combat sport. He says I'm the only person who can play four golf courses simultaneously. He calls me the hit man for the PGA. Then he says I played so badly the other day, I lost two balls in the ball washers. Then his conscience finally

* Gerald R. Ford, not a member of the sponsoring organizations, was the 38th President of the United States from August 9, 1974 to January 20, 1977.

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catches up with him and so he concludes these diatribes by saying, "Well, the President played better the other day. He had an eagle, a birdie, an elk, a moose, and a mason."

Well, let me say I really consider it a tremendous pleasure and honor to speak to this very prestigious group. I congratulate each of you for your expertise in a profession that is one of the very finest in our community. As laymen, we depend on your knowledge and your expertise in the private, as well as in the public sector, for the pension programs throughout America. I had the privilege and the high honor in the White House of signing the ERISA law. While I was in the Congress, before I went to the White House, I had a part in the development of that very constructive legislation. I happen to believe that pension legislation has been a milestone in this particular area of our business community.

I learned a long, long time ago that public speakers should never talk about a subject where the audience knows far, far more than the person who is speaking. So I vow that I'm not going to talk about your business. I will, if I may, talk about an area where I had some experience in the government. As Walter said, I had 25-and-a-half years in the Congress. I was for 14 years a member of the Committee on Appropriations, which had a great deal to do with the federal budget. As Republican leader for nine years, I had many contacts with the White House and with the budget during that period. As President, I submitted three budgets to the Congress and the American people.

With that fiscal background in the government, let me make a few predictions as to what I think will happen in Washington on some of the very controversial issues that are on the agenda. Let's first discuss taxes. I firmly believe that Congress in 1993, at the recommendation of President Clinton, will increase the personal income tax rate from 31% to 36% on taxable incomes of approximately \$60,000 and above. Now, that's a lower figure than was predicted during the campaign, but to get the revenue that is essential for some of the proposed spending programs, that threshold will go down to about that area.

Second, the Congress will approve the 10% surtax on taxable incomes over and above \$250,000, so that a taxpayer in that category with the percentage increase and the surtax will eventually pay approximately 40-41% federal income tax. Third, it's my judgment that Congress will approve some kind of an energy tax. The President, as we all know, recommended a British thermal units (BTU) tax which, according to him, was the most equitable. The administration, in the process of putting its tax program together, considered several other options. First was a significant increase in the gasoline tax of anywhere from 10 cents to 20 cents or 30 cents a gallon. That raised immediate objections from people in states in the middle west and the far west, where the automobile is used extensively. I can tell you from some practical experience in the Congress that the most sensitive tax for a politician to discuss is the gasoline tax. Let me illustrate.

While I was in the Congress, I must have voted for two or three gasoline tax increases. Every year when I'd go back to Grand Rapids or my congressional district, I would hear many complaints from people such as, "Why did you vote for this increase in the gas tax?" In 1958, we earmarked it to finance the interstate highway

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system. Well, I found out what happened. Constituents would go in to buy gasoline. They would see that the price of gasoline had gone up, and they would raise the devil with the gasoline attendant. He would say, "Don't blame me. Call your congressional representative. Blame your senator. Blame your congressional representative." So I can tell you the administration was probably very shrewd to back off on the gasoline tax increase.

The other alternative was to put a levy or a duty on foreign imported oil. That would have been extremely sensitive for politicians from the New England area, because you who come from New England get most of your crude oil from overseas, not from domestic sources, and that would have been a discriminatory tax against that area of the country. So the administration very wisely, from its point of view, thought a BTU tax would be the one that would be the easiest to sell, and I suspect it probably is. So there will be an energy tax and probably something comparable to President Clinton's proposal.

There's no doubt there will be an additional income tax levy on people who are Social Security beneficiaries. The threshold will go from 50% down to 85% for people of a certain income. That, I think, is the income tax package or the tax package. I doubt very much if there will be approval by the House and Senate of the investment tax credit program that President Clinton has recommended, but that appears to be the tax package we can expect in 1993. I doubt if the effective dates will come any sooner than July 1. They will probably be either July 1 or sometime between that date and the end of the calendar year.

Now, what will happen to President Clinton's budget proposals? In his State of the Union message, he said that it was very, very important to reduce the deficit, which I agree with. He said it was very important to make our budget more equitable, and so he proposed a budget that recommended a total reduction in the deficit over a period of years of some \$493 billion. Two hundred forty seven billion dollars of the reduction would come in spending cuts, and \$246 billion would come in tax increases. It was said during the State of the Union message that cuts and taxes would be on a one-for-one basis. On the promise of the White House that that was going to be the ratio, I personally said I would give them the benefit of the doubt. In the meantime, a more nonpartisan analysis has been made. When you add up the figures put together by five highly recognized economists, instead of a one-for-one basis, it now appears that the tax increases will be \$4 for every \$1 of spending reduction. That makes a very significant difference, and the consequence, in my judgment, could be quite different from what the President proposed. Let me give you now an update where I think the budget proposals stand.

Within the last two weeks, Congress approved what is called a blueprint or a non-budget, specific as to what the figures will be. It's a blueprint, not a law. The Senate right today is tied up, as we all know, in the President's \$16.1 billion or \$16.2 billion economic stimulus program. They've recessed during the Easter holiday, and they're coming back. The Republicans in the Senate had blocked any action on it. The political charges and countercharges are getting pretty hot. There are one or two questions that I think have to be answered.

Number one, is the \$16.1 or \$16.2 billion program for worthwhile projects? I've looked at the list, and there are some in that. For example, I think it's an \$8 billion or \$9 billion cost to extend the unemployment payments for another six months, and there are one or two others. On the other hand, Bob Dole suggests that in the vaccination fight, there is no need for \$300 million there when \$167 million of unobligated, unspent funds in the department are available. So there are some questions as to the urgency and the validity of that package. Second, some people are wondering, with the economy moving as it is, with interest rates low, with inflation low, with U.S. productivity at an all-time high for the last ten years, and with corporate profits looking good, why we don't need a so-called stimulus.

Well, it's going to be an interesting development when Congress gets back. I suspect there will be some reasonable compromise between the White House and Senator Dole and the Republicans. But it does bring up the issue of where we stand in the budget process and what our actual budget problem is that we face. The federal government today owes four trillion, four hundred billion dollars plus, and on that national debt, we now pay approximately \$225 billion a year in interest payments. Now, whatever each one of you pays in a federal income tax, 15% of what you pay goes for interest on the national debt and it's gradually creeping up each year.

The President recently submitted his budget for the next fiscal year, and it calls for expenditures in cash of one trillion five hundred billion dollars plus. Out of that one trillion five hundred billion dollars, 52% of that goes for what we call transfer payments or entitlements. What are those? It is called an entitlement when Uncle Sam writes a check to a person. I don't like the term, but that's how it's labeled. What does that include? It includes about \$300 billion a year in Social Security payments. It includes government pay for approximately two million men and women in the Armed Services, approximately two million federal government employees, civilians. It includes government pensions and food stamps. Any check that goes from Uncle Sam to a person is a so-called entitlement. If you use old math or new math, 52% of one trillion five hundred billion dollars is \$775 billion a year.

All of you are in business one way or another. There's no way Uncle Sam can get his budget under control and make a significant improvement in the management of our fiscal affairs – namely to reduce our deficits – if we don't do something about 52% of our cash flow. Now, those are very sensitive programs. Don't get me wrong. I know that from practical experience in the political arena, but we have to do something in this category. I would respectfully suggest the best way and the fairest is to make a limitation on the growth rates of those programs. If you limit the growth rate of 52% of the cash flow, \$700-some billion a year, over a period of time you make a tremendous improvement in the management of your fiscal affairs.

Now, the Clinton budget makes a step in this direction. It recommends, for example, that federal compensation for employees be limited to, I think it's a 2% increase in the cost of living rather than the 3% or 4%. Now, those are steps that, in the long run, would be very meaningful in the overall responsible achievement of federal fiscal policy. But let's take Social Security for a minute, because it's one of the most sensitive. Congress refuses to update this legislation, despite the fact that it's obviously essential. When Congress passed the Social Security legislation in 1935, the life expectancy for an American at that time was approximately 60 years. In

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1993, we still have the 65-year retirement age in the law (except for the 62 figure, if you want to retire prematurely), but our life expectancy has gone up to somewhere near 78 or 79 years. About six years ago, Congress timidly raised that, I think, to age 67 by the year 2020. Now, an increase in the retirement age would have a tremendous impact on the fiscal figures. As we grow older, certainly one could justify a change more dramatically than the one that's in the current law.

There is another misconception that many people have. According to statistical data, if you take all of the money that an employee pays into the Social Security trust fund and all of the money that his or her employer paid into the Social Security trust fund, and that person retires, that person will get back in four years, maybe less, every dime that he or she contributed and every dime that his or her employer paid in. After a four-year period of receiving benefits, from then on thereafter it's money that's over and above any contribution by the person or the employer. That is the justification, I think, for some of the tax applications against Social Security recipients. Because after you've collected more than you paid in, that's no longer a pension, in a sense, of the traditional. Of course, the federal Social Security legislation is not actuarially sound. It's what we'd call in politics financially sound, as long as you have X number of millions working and contributing to the fund.

Well, those are the kinds of problems that I think have to be addressed. How else are we going to get the federal deficit down to a manageable level? During the heyday of the confrontation with the Soviet Union during President Reagan's era, we were spending roughly \$300 billion a year on the Army, the Navy, the Air Force, and the Marines. We had about 2.2 million men and women in uniform. With the collapse of Marxism in the Soviet Union and Eastern Europe, there's no longer a head-to-head confrontation between two super powers, so there is full justification for us to cut back on a defense budget. The Bush administration and the Clinton administration have taken steps to do so.

It would be my forecast that in the next several years, you will see the defense budget go from approximately \$300 billion a year to something in the low \$200 billion figure, and you will see military personnel decrease in number from 2.2 million to about 1.5 million or 1.6 million. We do have to maintain an adequate national security capability, because there are threats that are different than a super power's threat, threats on a global basis where we have to be prepared to react in our national interest.

As I said a moment ago, I think our budgetary process is in shambles. Back in 1973, Congress passed what was called the Budget Reform and Anti-impoundment Act. That was a very serious step, limiting the capability of the President to save money. Let me illustrate. Up until 1973, Presidents could impound funds. What does that mean? Let me give you an example. When I first went to Congress, President Harry Truman signed the Defense Appropriation Bill, and then he refused to transfer the obligation authority from the Office of Management and Budget to the Air Force. He said in effect the Air Force couldn't spend \$300 million on a new fighter plane that Congress had approved. He impounded the obligation authority or the right to spend. But we Republicans gave President Truman the devil and said he was cutting the guts out of the Air Force and all that.

Well, the truth was, President Truman was right and he saved \$300 million. But Congress in 1973 took the right of impoundment away from the President. That really was harmful in the process, and it added, in addition, some bureaucracy to the congressional effort in the budget. When that failed, in about 1988, Congress passed the so-called Graham-Rudman limitations. Well, they divided loopholes, and I can tell you from some practical experience that the Congress is a master at exploiting loopholes, and so that didn't work. Then in 1990, Congress passed a budget compromise between President Bush and the Democrats. That was to be the panacea. Well, as a consequence of that legislation, deficits went up, rather than down, and that didn't work. Now people are saying that we have to have a constitutional amendment mandating a balanced budget. In theory, that's a great idea, but it would take a master draftsman to draft a constitutional amendment that would provide the adequate safeguards. You have to have some safeguard, and trying to draft that for a constitutional amendment is a very difficult process. Now people are saying we should get the line-item veto. I believe in that. It would be easier. But it should be done by repealing the Budget Reform Act of 1973, so that a President could impound funds which, in effect, is the same thing as a line-item veto.

Well, now let's turn to an area or an issue where all of you are involved – health care insurance. I believe there's unanimity that the results of our health care system today are the best in the world. But we have serious problems of coverage, on financing, and so forth. There's no question in my mind that Congress will eventually, either this year or next year, pass comprehensive health care legislation. Because it's very controversial, however, and because it enters into some new fields, there is some doubt that it will be finalized during calendar-year 1993. There are programs that eventually would be included. There's no doubt in my mind that in the final version, Congress will approve total coverage, including the coverage for the 37 million people who are not today covered by any health insurance programs. There will be new taxes to finance the cost of this new health legislation. You'll hear rumors that it may be financed by an imposition of new taxes on cigarettes, alcohol, etc. There's always the possibility it will be financed out of the general fund, and this morning I read in the *New York Times* and the local paper that the administration is considering a value-added tax as a means of financing the additional costs of the new program. Well, that legislation will have a very tough time in the Congress. A value-added tax is a tax that is in effect today in most European countries. It has never been approved here because the opponents allege, and they're partially true, that in effect it's a sales tax, and, of course, the traditional argument against the sales tax is that it is discriminatory against the less well off.

All I'm saying is that whether there is a sin tax, general fund financing, or a value-added tax, there is going to be some additional cost imposed on our economy as a result of the new health legislation. Then you get into the question of controls – controls on doctors' fees, and hospital fees. Nobody likes to come out and say that those are wage and price controls; they use *managed competition* and other code words. The net result is there will be, to a degree, some kind of control, whether you call them wage or price controls or not.

The question then arises as to what happens to insurance carriers that have been providing health insurance for many, many, many years. What role will they have? Well, all of these issues are going to be sorted out in the Congress after the White

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House finally makes its recommendation. My best guess would be that a final package will not be enacted this year, but it will be sent to the White House sometime early in 1994.

The question we run into today is, has there been a change in the situation in the nation's capital as a result of the last election? Well, mathematically in the Congress the answer is yes. The Democrats now control the Senate 57 to 43. They control the House 255 to 178 or 179, so there's no longer the allegation of gridlock. The change there can be meaningful from the point of view of the President. He should get from the House and Senate, the Congress, most of what he proposes. Now, if I might, let me turn to one or two other subjects that I think are of current interest, particularly here in San Diego and southern California.

We're interested in what's happening in the trade area. International trade is the trend of the future. Expanded world trade is essential. Transportation is faster, communication is better, our globe is getting smaller and smaller, and that will accelerate in the years ahead. There is no question, as a consequence, that we must have free fair trade between all nations in all parts of the globe. That is the wave of the next century, which means that we, the United States, should cooperate and get the Uruguay round of trade negotiations settled as quickly as possible. We must move away from protectionism.

Protectionism is one of the ugliest aspects of the world business community. I'm old enough. I was at the University of Michigan during the depression, and Congress passed one of the worst pieces of legislation in its history in the 1930s when they passed the Smoot-Hawley Tariff Act, which in effect put a ring of steel with high tariffs and high nontariff barriers around the United States. The consensus is that that bad legislation was a major factor in producing the depression of the 1930s. We've realized the seriousness of that depression. We had unemployment of 25%, not 5%, 6%, or 7%. We had nationwide unemployment of 25%, and that bad protectionist legislation was a major contributor.

We have to move ahead as a nation for the Uruguay round in the North American Free Trade Agreement between Canada, Mexico, and the United States. If we do, we can look forward to a bonanza in the expansion of trade, the U.S. selling in Mexico, and consumers benefiting by lower prices. It is essential for the future of this western hemisphere, so failure to support those two trade agreements, in my judgment, could lead to economic disaster, particularly in the western hemisphere.

Let me now turn, if I might, to foreign policy. Of course, the big issue that we face is what our policy should be vis-à-vis what was the Soviet Union. We seem to be putting all of the emphasis on how we deal with Mr. Yeltsin. It's important that Mr. Yeltsin survive, because the options are far, far worse. If he is not successful, there could be chaos on the one hand on a much larger scale than Yugoslavia; because the ethnic nationality differences in what was the Soviet Union are far more intense and far more dangerous than those between the Serbs and the Bosnians and the others in what was Yugoslavia. The other option is, of course, that we turn to the Kremlin days of Marxist leadership, which would be a disaster.

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Mr. Yeltsin represents the best option to achieve a multiparty political system and an economic system based on a free market. It's going to be tough. He has a very difficult challenge, and for that reason I believe it's in our interest to help him and Russia financially. They met a week or 10 days ago in Vancouver, Canada, and the President promised an aid program of about \$1.5 billion. Now the G7 nations are trying to put together a much larger package for all of them to approve. They have to be very careful, however. We should not just send cash to Moscow. We have to pinpoint where the aid should be used, how it should be used, and give it for humanitarian reasons, technical reasons, and financial reasons. We should not just give the money to the bureaucrats in Moscow. I hope and trust that that will be our goal and our objective.

Let me turn now to a final observation and comment. I have very strong feelings against those people in our country who go around bashing America. I think we have a pretty good country. We haven't all the answers to our problems at home or abroad, but we've had considerable success during my lifetime. Let me run down very quickly. During that period, we've been successful in two world wars against aggression and depression. We overcame the tragedy of the depression of the 1930s. Since the end of World War II, we've been able to find the answers to seven recessions and economic problems here at home. During the last 45 years, because of sound military, diplomatic, and economic policies, the United States, in conjunction with our allies, overcame the leaders in the Kremlin, with their policies of Marxism economics and political systems.

I believe the American people deserve a great deal of credit. I don't think any President or any political party deserves the credit for the collapse of communism. Over a 45-year period following the end of World War II, the American people supported people in the White House and in the Congress who brought about the Marshall Plan that resulted in prosperity on our side of the iron curtain and poverty on the other side of the iron curtain. We had policies with our allies that brought about peace in Europe for the longest period of time in the last 200 years through NATO; and through the Helsinki Accords in 1975, we were able to point out that human rights existed on our side of the iron curtain, and they failed to exist on the other side.

Well, we may not be perfect in America, but I think we should be proud of our system and our people. I still subscribe to something attributed to Sir Winston Churchill who once said, "Democracy is the worst form of government in the history of mankind, except it's better than any other that's ever been tried."

MR. RUGLAND: President Ford, thank you very much for that great message.

PRESIDENT FORD: I'm delighted to be here, Walter, and I look forward to the opportunity to respond to your questions, so don't hesitate. I enjoy this part of the program more than the other.

MR. RUGLAND: Well, you know that actuaries address the implications of future events, and we have a present for you (an "Ask an Actuary" button).

PRESIDENT FORD: Walter, I wish the politicians would "ask the actuaries" more often.

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MR. RUGLAND: We also have a crib sheet, so if they ask you why, you can look at this card. We have 5,000 more buttons, if you'd like to distribute some for us.

PRESIDENT FORD: Well, I never dared tackle the mysteries of your actuarial science. As far as I got was trigonometry.

MR. RUGLAND: That's why you need us. What do you believe the role as a President should be in reforming health care?

PRESIDENT FORD: Well, you probably ought to ask Hillary. I believe that a President, as head of our executive branch of the government, has an obligation to come up with a very specific plan or recommendation which he will submit to the Congress for its consideration. That's his obligation and, once he submits it, he ought to work to try and get the members of the Congress, the committee people, to cooperate. Under our system, where we have three coordinate branches of government – executive, legislative, and judicial – a President can't tell Congress to do anything, because Congress feels it has a constitutional obligation to reflect its own views. That's why it's going to take a lot longer than some of the media are saying. Congress is going to give this issue a very thorough examination.

FROM THE FLOOR: Could you comment on what the U.S. role should be in the countries of former Yugoslavia?

PRESIDENT FORD: Number one, we, the United States, should act in conjunction with our European allies. I, unfortunately, believe we were slow to recognize the disintegration of what was Yugoslavia. First we had Slovenia break off and declare its independence, followed by Croatia and then eventually Serbia and the others. I believe we, with our allies, should have been more vigorous earlier in order to possibly avoid the kind of bloodshed that's currently taking place.

I do not think that we, as a country, should commit significant ground forces to the situation in what was Yugoslavia. It's not comparable under any circumstances to the problems we had, and they were serious, in Vietnam. The differences in what was Yugoslavia go back centuries. After World War I, the victorious western allies put together Yugoslavia, and then again after World War II, they ended up agreeing to Tito running Yugoslavia for 30 or 40 years. Yugoslavia was never a unified nation. It was pulled together by arbitrary action after World War I and maintained arbitrarily after World War II.

We're seeing now the breakout of all these nationality and ethnic differences, and I don't think the United States should commit ground forces. It's more of an obligation for our European allies – the Germans, the French, the British, and others – rather than ourselves. I think we can help with humanitarian aid. I believe we can possibly continue the kind of fly-over coverage, but it would be a major step and a potentially dangerous one for us to get involved with ground forces.

FROM THE FLOOR: Mr. President, we were very interested in your remarks about Social Security. I'm somewhat pessimistic as to whether there is any real chance that some good actuarial sense will be made in the Congress. Do you think that there really is a possibility that we will have reduction in the growth of that program,

an increase in retirement age, and other changes necessary to make that program financially sound?

PRESIDENT FORD: Based on my 28.5 years in Washington, I'm not optimistic that there will be any significant changes in our basic Social Security concept. Unfortunately, it's a highly political issue. I think there are 32 or 35 million people today who get a monthly check from Social Security, and that is a group that is highly active politically when they think there's going to be anything done to jeopardize their monthly checks. We should do something to restrain the growth.

Now, I haven't said cut, but I think we must take some affirmative action in all of these entitlement areas, including Social Security, to restrain the growth. If you do and if you're restraining growth on \$770 billion a year, pretty soon you save quite a few dollars. Something has to be done in that area, and I hope it will be.

FROM THE FLOOR: Mr. President, I don't understand how George Bush managed to lose his reelection campaign. Can you comment on that? Do you think the Republican party has been taken over by a right-wing faction, and what are the chances for it getting back on track?

PRESIDENT FORD: Unfortunately, I thought the Bush campaign was badly run. After the tremendous success in the Gulf crisis, where the President's popularity was at an all-time high, his campaign managers, and maybe even he, did not realize that there were serious economic problems in some major industries and in some major geographical areas -- New England being one, southern California another. They didn't realize the potential downsize of that problem. By the time they recognized that the economy was not doing as well as they thought it was, Governor Clinton had seized the initiative, and it was hard and really impossible for President Bush to regain that part of his campaign.

It was badly run, ill-timed and, as a result, President Clinton got 43% of the vote, and the other votes were split between President Bush and Ross Perot. Perot had a significant impact in a number of states, and the net result is that we have a minority President, a President who came out of really nowhere and has taken over for at least the next four years. I think the Bush campaign people were a factor.

My wife, Betty, and myself consider ourselves moderate Republicans. I always followed that philosophy in the Congress or in the White House, and I think it's the right philosophy for the Republican Party. The Democrats made a mistake for years by being dominated by the liberals or the left wing of their party. When they moved to the center, they did better. We Republicans would make a mistake to become captives of one element. Our party is big enough and we have an umbrella large enough to include everybody who has the basic philosophy of the Republican Party, and to be captive of one segment is a mistake. To the extent I have any impact, I'll try to keep us in the middle of the road.

FROM THE FLOOR: Mr. President, currently health care is running at 14% of gross domestic product (GDP). It's projected to go up 20% and President Clinton says that for any economic recovery, we really have to contain those health care costs. On the other hand, the interest of the deficit is taking up more and more of our tax dollars. I

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guess I would ask where you feel the priority should lie within the Congress related to those two lesser evils.

PRESIDENT FORD: There's no doubt that we have to spread the blessings and benefits of our medical system. I think our doctors are the best and our hospitals are the best. We must expand the coverage to include all Americans, and there are 37 or 38 million who are not now covered by health insurance. There's no question that if you do that you have to find additional financial resources. That's going to require a new tax of some kind. If I were to weigh the two, the added cost of the kind of health insurance on one side of the scale against the interest payments on the debt on the other, I can't judge which is the more serious of the two. I think you have to attack both. To get results on our deficit as a whole, we have to take some responsible action to reduce our other expenditures to finance our health care increased costs. For us to concede we can't solve both simultaneously, which, I think, is a mistake. It takes a little political will to do both and to do it right.

FROM THE FLOOR: Mr. President, President Clinton has proposed his budget and stimulus package apparently with very little support or reaching out to the Republican Party. He's going to be presenting his health care proposal in the next few weeks to the Congress and to the American people. Would you advise him to go as he has apparently gone with the budget and stimulus package pretty much on his own, or what it appears to be as pretty much on his own, or would you suggest that he reach out to the Perot forces and perhaps to the Republicans more formally in putting forth a health care proposal?

PRESIDENT FORD: I believe that in the process of developing his health care package, which he has turned over, and I think properly so, to Hillary, she certainly at the first instance, should go to all of the segments of the health care industry to get their specific recommendations. She then has to get a group of the very top, a limited number, to sit down and put together these somewhat contradictory points of view. The net result is they have to have a package that is not going to be decimated by the lobbying efforts on Capitol Hill. There's no question that once the White House package on health care goes to the House and the Senate, there is going to be the biggest lobbying effort in the last 10 or 20 years from the lobbyists from the insurance industry, from the doctors and hospitals, from people who don't have insurance, and from taxpayers.

It's very legitimate. It's very proper, because everybody has an interest in how it's going to work and how it will affect them or their industry. Now, I don't think that President Clinton should go directly to the Republicans and get their approval in the process. He ought to try and get their help after he comes up with a package. There will be plenty of time in the consideration in the Congress for the Republicans to have an input, but the President has to have his basic proposal, which is then exposed to the challenges that inevitably come in the House and Senate, from lobbyists, from members of the opposition party. I don't think he has to get a deliberate Republican input in the process of putting his plan together.

FROM THE FLOOR: Mr. President, during the last campaign, one of the major themes was change. We had a record number of new members elected to the House of Representatives. Could you comment on what changes you might see

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need to be made to the political system in the campaigns through funds that are raised for members of Congress; what kinds of change, possibly term limits, federal funding of the campaign system, etc.?

PRESIDENT FORD: In his campaign, President Clinton highly emphasized change, not only in how to handle fiscal affairs but how to deal with the Congress. He talked about the gridlock with the Republicans controlling the White House and the Democrats the Congress. Well, the change has taken place. The Democrats not only now control the White House, but they control the Senate 57 to 43 and the House 255 to 179 or 180; so there's no longer the gridlock problem, providing, of course, the President's party supports his proposals.

There is something that, in my judgment, has to be changed. Congress has lost its capability to be a viable partner in our governmental system. Congress is no longer a coequal coordinate branch. It no longer does its business in a responsible way, in my judgment, and this has happened primarily because in the late 1960s or early 1970s we went through an orgy of democratizing the Congress. Well, the net result is they took away from the leadership, both Democrat and Republican, the capability to manage the process in the legislative branch.

You can't run 435 members of the House and 100 members of the Senate unless the leadership of both parties has some capability of imposing discipline, and that was taken away. In addition, during the late 1960s and early 1970s, they eliminated, for all intents and purposes, the seniority. In addition, they multiplied subcommittees. We now have, I think, 200 and some subcommittees, plus the 21 in the House and 21 in the Senate legislative committees. When you have subcommittees, you multiply staff. Staff is the fastest growing industry in the nation's capital. Let me illustrate.

When I went to Congress in 1949, by law, I and the other 435 members of the House could have three government employees. My congressional district in Michigan had 450,000 constituents. Today, the average congressional district has 550,000. That's a slight increase. Today, a member of the House has a staff of 22. They went from three to 22. Now, using either old math or new math, if you multiply 19 by 435 you get 8,265 more government employees working for the House of Representatives. What do they do? One issue I wholeheartedly agree on with President Clinton is that Congress ought to cut its staff, cut its payroll 25%. Change in the nation's capital would be the first and best major step of change.

FROM THE FLOOR: I have a question about single-payer systems, and I'd like your personal opinion on the effectiveness of such a system, were it to come about, given two things. One is Congress' inability to make some tough decisions sometimes fiscally, and the second has to do with the government's ability to provide what we would call good customer service.

PRESIDENT FORD: Are you saying a single payer being the government?

FROM THE FLOOR: Yes, single payer being the government financing, running, being involved in all aspects of health care financing.

THE CHANGING CHALLENGE FOR AMERICA

PRESIDENT FORD: Well, I have reservations about the federal government ever monopolizing any aspect of our society. As I understand the single-payer system, the likelihood would be that Uncle Sam would be the monopoly in this situation. If that is going to be the end result, it eliminates any legitimate competition. I happen to believe that our economic system is best when we have good, hard, head-to-head competition. We get better results. We get better prices. If Uncle Sam takes over and is the only source of payment, I think pretty soon we get into the sloppy management of a government that's too powerful.

