2/8/35

HITS PAYROLL TAX FOR AGE PENSIONS

Emery of Manufacturers' Group Calls It Unconstitutional and a Threat to Jobs.

LEGALITY TO BE STUDIED

Protests Pour In Against Move to Exempt Farmers and Servants From Age Pensions.

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 7.—Through the National Manufacturers Association, most outspoken of New Deal critics, organized industry opened a vigorous attack today on the administration's social security program.

James A. Emery, general counsel, went before the House Ways and Means Committee equipped with legal and practical objections to condemn the measure as unconstitutional and bound to defeat its purpose.

He represented the manufacturers as favoring the general objectives of the program but unalterably opposed to the payroll tax through which it is to be financed.

Meanwhile, Abraham Epstein of the American Association for Social Security defended the aims of the administration in testimony before the Senate Finance Committee, but assailed the Wagner-Lewis-Doughton bill, which embodies the plan, as too ambitious and complicated.

"It would take nine Philadelphia lawyers to figure out what some of the sections in this bill mean," Mr. Epstein told the committee. "The bill seeks a good end by a bad means."

Members of both committees began to hear protests from church and civic organizations against amendments proposed by Secretary Morgenthau which would eliminate farmers, domestics and casual laborers from eligibility to old-age pensions.

Rise in Tax Is Opposed.

Another of the Secretary's suggestions, that payroll and earnings taxes provided in the old age insurance provisions of the bill be doubled at the start, was criticized by W. R. Williamson, representing the Travelers Insurance Company.

He contended that the proposed increase in the tax from 1 to 2 per cent at the beginning and the shortening of the period within which the maximum tax would be reached from twenty to twelve years would not make the plan any sounder from a financial standpoint than present provisions.

Repeal of Income Publicity Demanded To Thwart 'Mendicants' and 'Rackete

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 7.—A petition to Secretary Morgenthau, urging repeal of the provisions for publicity on income taxes, was delivered to the Treasury today by Raymond Pitcairn of Philadelphia, National Chairman of the Sentinels of the Republic. It also asked for delay in enforcement of the clause until Congress "shall have time to retract the insult inflicted upon the tax-burdened citizens of the nation."

Mr. Pitcairn stated that presentation of the petition was "the opening gun of an intensive campaign for repeal of the 'Paul Pry' amendment which was written into the Revenue Act in April, 1934, by Senator La Follette."

He also made public a letter, generally distributed, urging the recipients to refuse to fill out the pink slip for publicity information which accompanies the tax blanks this year, but instead to pay the $5 fine provided for failing to do so, as well as to write letters to editors and members of Congress.

Protesting against compulsion of citizens "to give written statements of their private incomes to be posted for public scrutiny," petition said:

"These public records will an incomplete, unfair, a temp and consequently untrue, pict citizens' financial status.

"The required publication come data of all citizens m tax returns will help undescr mendicants, professional and importunate collectors and u come salespeople — scrupulou otherwise—to prey upon citize

"What is worse, it will serv ends of competitors, business mies, private enemies and mailers of citizens whose p means are thus publicly and odically exposed.

"Worst of all, enforcement law by your department wi pose citizens to be victimiz criminal racketeers, kidn and gangs of the underworld

"We would ask whether th ministration favors this mis dus law, passed hastily by mer Congress, without thou its fearful consequences; a trust that you, sir, are o to it.

"May you lead in securing p repeal of this un-American fathered by the inquisitorial l tor from Wisconsin."

INVOKE OLD CURB ON RESERVE BOARD

Senate Foes of Open Market Plan Talk of Reviving Proposal to Bar Treasury Head.

GLASS DENIES HOSTILITY

Saying That He Has Not Yet Studied Bill, He Assails Critic on Impugning 'Prestige.'

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 7.—Aroused by the program for open market operations proposed in the administration's new banking bill, conservatives in Congress are now seriously considering revival of the recommendation to eliminate the Secretary of the Treasury from ex-officio membership on the Federal Reserve Board.

An amendment of this character, which once succeeded in the Senate, may be put forward if the administration insists on its open market plan. The conservatives are waiting, however, to see if the open market plan will be retained in the legislation, which has been described by President Roosevelt as "tentative."

Under the bill, the governor of the Federal Reserve Board, two board members and two governors of Fed-

fifth of the bill in the most c way, nor have I had time e read any printed summary contents.

"I do not know at this time will be my attitude on the bil it shall have been considerec it is rather impertinent for c other persons to be assumi state my attitude for me as ude to unfriendly criticism.

"As to the alleged assertion one source that I have bee ceeding on 'undeserved prest may say that whatever pres any, I may have, it was not by using my position as a m of a Banking and Currency mittee of either house of Co to gamble in foreign exchang a prison-convict partner nor attempt to influence the ac Federal Reserve authorities own pecuniary benefit.

"As to the authorship of th eral Reserve Act, I cannot s that fact is particularly perti this time, but I am perfect tent to rest that matter w Congressional Record itse upon the statements of outst persons intimately associate the circumstances of the tin

Rejoinder by Mr. Owe

Former Senator Robert L of Oklahoma, president of tional Monetary Conferenc on Tuesday used the phra deserved prestige" in "de Senator Glass's attitude banking bill, issued a staten night in which he said:

"Of course, I would not Carter Glass with the und prestige of 'gambling' with on-convict partner,' or, f matter, of compounding w two thieves upon the cross with them in paradise.

The New York Times

Reg. U. S. Pat. Off.

"All the News That's Fit to Print."

Published Every Day in the Year by

THE NEW YORK TIMES COMPANY.

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GENEVA..45 Route de Florissant; DUBLIN..158 Castle Av.
MOSCOW...Bolshoy Kisloffsky 5; WARSAW...Rosbrat 33
CAIRO..Al Ahram House; BUENOS AIRES..San Martin 344
BUCHAREST..Delivrance 34; JERUSALEM..Sionim Bldg.
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...ZONE...Balboa Hgts.; MANILA...Daily Bulletin

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THE NEW YORK TIMES BOOK REVIEW (weekly), a year, $2; Canada, $3; foreign, $3.50.

MID-WEEK PICTORIAL (rotogravure weekly). Western Hemisphere, a year, $4; other countries, $8.

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RAG PAPER edition for preservation, cloth bound, 3 volumes per month, $170 per annum; semi-monthly bound volumes, regular newsprint, $72 per annum.

LOUIS WILEY.

THE NEW YORK TIMES has suffered a great and grievous loss in the death of LOUIS WILEY, its business manager

ENCIRCLEMENT.

For two or three years before the World War the German Government complained bitterly that it was being made the victim of *Einkreisung* (encirclement) by hostile European Powers. England and France and Russia were striving to bind her in an iron chain. If anything like that is being done now, who is doing it? It is apparently true that France and Italy, Great Britain and probably Moscow, are agreeing upon diplomatic lines to be drawn against Germany. But was not this policy forced upon them by the rough and inept action of Germany herself? She set up as a judge and divider over Europe. Without waiting to consult with other nations, as she had promised to do, she announced her own conclusions with regard to depriving the Versailles Treaty of all binding power. What other result could she have expected than that they would at once draw together? They had to do it to save their own self-respect and to keep alive the questions, domestic and international, which they had agreed to discuss on an equality with Germany. If, therefore, the German people look around and see on all sides a circle of opponents, they have only to thank their own rulers for conjuring up such a spectacle. This time it is clearly the Germans who are doing the encircling.

TOO LARGE A PROGRAM.

With both branches of Congress lagging behind schedule, a Washington dispatch to THE TIMES reports that the prospect for enactment at this session of the President's ambitious program of "social security" legislation is "diminishing daily." The soldiers' bonus and the Work-Relief Bill are the immediate matters to be dealt with. When they have been disposed of, both houses will have to tackle the moot question whether, and how, to prolong the life of NRA. In addition, there are appropriation bills which have not yet received attention, to say nothing of various Presidential proposals for public utility legislation and the establishment of a system of direct subsidies for American shipping. ~~To make the outlook for the "social security" program [illegible]~~ dispatches note ~~a marked "apathy"~~ among members of Congress toward this plan and call attention to a division of opinion even among those who support the bill.

In these circumstances there is reported to be increasing sentiment in Congress in favor of splitting the old-age pension plan from the rest of the Administration's omnibus measure, acting on that section alone at the present

always the danger that the members of the Council, or the politicians behind them, will interfere with the manager's handling of administrative routine. Almost as much depends on the character of the Council as on the character of the manager. Cincinnati has been fortunate in both respects, as well as in the effective support given the experiment by influential groups in the community. Staunton, Va., in 1908, was the first city to adopt the Council manager form of government. At the last reckoning 432 American cities had city managers, not to mention Mount Royal, Quebec; Limerick, Ireland, and several other foreign cities.

INSTALMENT JUDGMENTS.

Swollen calendars and long delays in the branches of the Municipal Court of the City of New York, in Manhattan, Bronx and Brooklyn, have been the cause of much complaint. To remedy the excess of jury trials the Judicial Council approved a concurrent resolution to amend the Constitution by giving the Legislature power to restrict or abolish trial by jury in civil cases involving $250 or less in any courts of the State other than the Supreme Court, County Courts and City Court of the City of New York. This would apply mainly to the Municipal Court of the City of New York, since demands for a jury trial are seldom made in the inferior courts of other cities.

At present the application of this remedy seems distant. Meanwhile the Legislature, if it has the will, can deal effectually by statute with another great cause of the overcrowded calendars of the Municipal Court. A large proportion of the cases before it are collection cases. The plaintiff begins suit for the whole amount of his claim. The defendant has to file an answer, or judgment for the whole claim will be entered against him. In many cases he can't pay immediately the whole amount. He is forced to answer though he has no defense. The measure now before the Assembly, the Pack bill, proposes a procedure that has been used in England for sixty or seventy years.

The New York Law Society describes and recommends the process:

> The plaintiff would be permitted to serve his summons seeking the collection of his debt by instalments. If the defendant accepts this proposal he will file an acceptance in lieu of an answer. The case will then end. There will be cases in which the plaintiff will not elect to take out a summons asking for an instalment judgment. The right is also given to the defendant to make

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10/20/35

SECURITY ACT SEEN AS RAISING PRICES

T. E. Sherer Tells Credit Men Every Worker in Nation Will Have to Be Indexed.

CONSUMER TO PAY COST

Largest Bureau Ever Set Up in Washington to Handle the Paper Work Is Predicted.

Every employed person of the United States designated by a number, their careers of employment traced and recorded by the largest bureau ever set up in Washington and the threat of an avalanche of paper work of unprecedented size were aspects of the Federal Social Security Act discussed and considered yesterday by credit men in convention at the Hotel Commodore.

The occasion was the final day of a two-day tri-State conference of the National Association of Credit Men. The delegates attending were from New York, New Jersey and Eastern Pennsylvania.

The meaning and the operating significance of the Social Security Act were presented to the credit men by Thomas E. Sherer of the Prentice-Hall Labor and Unemployment Insurance Service of New York.

Common Sense Urged as Guide.

Mr. Sherer urged common sense as a practical guide for business in venturing upon this new social experiment, warning that even if the existing act were ruled unconstitutional by the Supreme Court the social advantages of the act have become so generally fixed in the public consciousness that they would reappear in some other legislative form.

"I do not know," said Mr. Sherer, "of any national legislation which will so profoundly affect the entire business structure of the country as a whole. The task is enormous, but it can be handled, although it will entail the creation of work records for millions of people."

Mr. Sherer, while expressing doubt that an original proposal to fingerprint every employed and employable person in the United States would be carried out, said that to maintain the records of eligibility of long-term workers for old-age and unemployment benefits under the terms of the act it would be necessary to develop some system of employment cards and payment stamps to be attached thereto covering the working populace of the entire country.

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Higher Prices Predicted.

Mr. Sherer emphasized that business must begin at once to find ways and means of meeting its assessments under the Social Security Act, and said that it appeared inevitable that this must result in higher prices to consumers.

Preceding the consideration of the business problems involved in the administration of the Social Security Act, the credit men participated in a four-way "shop talk" discussion of credit problems today. The discussion was carried out under the leadership of the National Institute of Credit. The speakers were: Harry J. Delaney of Meinhard, Greff & Co.; Samuel Bertcher of Edmund Wright-Ginsberg Company, Philip A. Mitchell of the Cullen Fuel Company, and by Charles Weisberg of Henry Rosenzweig & Co.

The two-day conference was concluded with two addresses on legislative problems by A. Rothschild of Weiss & Klau Company and William Randolph Montgomery, counsel of the association.

7 FIREMEN INJURED IN A GAS EXPLOSION

Manhole Cover Blows Off as They Fight Long Island City Warehouse Blaze.

Gases backing up through an underground conduit in front of the Long Island Waste Paper Company's warehouse at 44-21 Tenth Street, Long Island City, at 7:30 o'clock last night were believed responsible for an explosion that injured one fireman seriously and six others slightly.

The crews of Engine 261 and Hook and Ladder 115 had gone to the scene in response to a single alarm. As they were pouring water into the building, filled with waste paper, a manhole cover in the street blew off. Flames shot several feet into the air. The five slightly injured received first-degree burns of the hands and face.

Fireman John Middlecamp, 29 years old, of 37-33 Eightieth Street, Jackson Heights, attached to Engine 261, suffered, in addition to burns, a possible skull fracture. He was taken to St. John's Hos-

6/16/35

THE NEW YORK

BUSINESS TO PRESS ITS RECOVERY PLANS

U. S. Chamber of Commerce Opposes More Government Intrusion Into Business.

FOR SOCIAL SECURITY HALT

Insists on State Regulation of Utilities, Sound Monetary and Budget Policies.

Special to THE NEW YORK TIMES.

WASHINGTON, June 15.—A broad program for recovery and re-employment was adopted today by the board of directors of the Chamber of Commerce of the United States to guide members of the organization during the year.

The program covers a wide range of topics, ranging from NRA to "combating subversive activities," and embodies largely a restatement of the resolution adopted at the May meeting here. At the same time the chamber made public a list of thirty-six industries which have taken action or enunciated a policy concerning cooperation with the new NRA regarding provisions of the former codes.

The program follows:

National Industrial Recovery Act.

"Upon this subject the chamber has commitments, but the recent Supreme Court decision and new legislative enactments and other proposals pending make necessary a re-examination of the entire question of means for establishing and maintaining fair business practices, as well as requiring further exploration of the field of labor relations.

"Therefore, the board has authorized the appointment of a special committee of representative business men to make a thorough study of the subject and to report to the board.

Durable Goods Industries.

"The chamber will use every effort to make effective the resolution of the annual meeting in May which declared that the investment of the large sums necessary to restore operations in the capital goods industries is delayed because of existing laws and also by threatened legislation which would permit the further intrusion of government into business.

"The chamber holds that the return of capital to normal investment in these enterprises would bring improvement in quarters where depression and unemployment have been most acute.

Social Security Legislation.

"The chamber will continue to advocate that enactment of the major features of the pending social security legislation be postponed until there can be further examination by a Congressional committee. If a study of this character is made, the chamber will present to such a committee its views as to the constitutionality of the legislation as proposed and will emphasize the fact that the proposals now pending would double the entire present volume of Federal taxes.

Work Relief Program.

"Committed to the policy that public action should not be substituted for private enterprise, the chamber will urge that the government, in its use of the $4,000,000,000 relief appropriation, should avoid disturbance of existing employment in private occupation.

Agricultural Policies.

"Support will be given by the chamber to policies looking toward diversion of submarginal agricultural lands to uses more beneficial to the public interest. It will give further examination to the present policy of adjustment of agricultural production, with the purpose of making recommendations in the national interest.

Power Utilities.

"The chamber has vigorously opposed the destruction of the value of investments in the power utilities. It will continue to advocate proper development of State regulation of these utilities and will insist upon a clear definition of the field to which Federal regulation should be limited.

Transportation Legislation.

"Federal legislation for equitable and appropriate regulation of the different forms of transportation has had chamber support. The organization will continue to press for such legislation.

Railroad Consolidations.

"The membership of the chamber, as users of railroad transportation, have a legitimate interest in proposals for railroad consolidation. The chamber therefore, during the year, will examine government policies respecting consolidation, including the question of how far competition should be maintained, having in mind the placing of recommendations before its membership.

Flood Control.

"The chamber will consider the allocation of Federal and State responsibilities for flood control on interstate streams, giving attention to the question of the extent, if any, to which the Federal Government is justified in exceeding expenditures necessary for flood control and improvement of navigation to provide for development of hydroelectric power.

Federal Reserve and Banking.

"Maintenance of fundamental principles of the Federal Reserve System is a desire of the chamber. It, therefore, will give attention to any legislation that may be enacted in this field during the present session of Congress and will have recommendations to make.

Federal Finance.

"Federal expenditures have reached unprecedented proportions. Since funds expended can only be raised through eventual taxation, it is an obligation on the part of business to give consideration to such questions as the handling of the national debt and that of balancing the national budget. To these questions the chamber will address itself.

"If new revenue legislation is passed in this session of Congress, such changes as may be made will be scrutinized. The chamber also will continue its efforts to bring about an improvement in the budgetary procedure of the Federal Government.

Monetary Policies.

"The chamber has stood firmly for sound monetary policies. It proposes during the year to turn its attention to the situation existing in international exchange, and to take a look also at the possibilities of improving our own currency system.

State and Local Finances.

"Improvement in methods of taxation and expenditure in the States and in localities is needed, as pointed out on many occasions by the chamber. During the year it is hoped that it may be possible to go deeper into this problem and that further recommendations may be made.

Capital Financing.

"The subject of capital financing is one of great importance to business. During the year this field will be thoroughly explored by the chamber, with especial reference to the possible mechanisms for supply of intermediate and long-term capital for business enterprise, especially for those of small and moderate size. This study will include the operations of the Federal Securities and Exchange Commission, together with the prospects of elimination of the Federal Government from the field of capital financing of private enterprise.

Distributive Trades.

"Problems of fair competition among merchants will be canvassed under the chamber's program. Examination will be made of such subjects as elimination of misleading advertising, use of loss leaders and relations of users to suppliers of merchandise.

Commercial Treaty Policy.

"Examination of the government's program of reciprocal trade agreements and their effect upon both foreign trade and domestic industry will be made.

Subversive Activities.

"The chamber will continue its efforts in combating subversive activities, urging new Federal legislation to that end.

Business Organization.

"Recognizing new opportunities and responsibilities for business men's organizations under present conditions, the chamber will give attention to these questions for the
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SECURITY MEASURE AGAIN UNDER FIRE

Hastings and Treadway Call It 'Loosely Drawn Hodge-podge' at House Hearing.

TOWNSEND INQUIRY ASKED

Senators Told They Should Investigate Financing and Promotion of Pension Plan.

WASHINGTON, Feb. 6 (AP).—Two Republicans attacked today the administration's Social Security Bill on the ground that it was a "loosely drawn hodge-podge" and would stir up a taxpayers' rebellion. But both added that they were in sympathy with the objectives of the program.

Despite the criticisms, Democratic leaders maintained that, with what they called "minor" amendments, the bill would become a law.

One of the Republican critics was Senator Hastings of Delaware. Before the House Ways and Means Committee he commented that the taxes imposed would "not take effect until after the next general election," and asserted those taxed would not get back what they put in.

"When you get 40,000,000 people to paying a tax to the Federal Government, I care not how little it may be, I think you'll find a resentment that will be felt by every person in public life," he declared.

The other critic was Representative Treadway of Massachusetts. He predicted that, when the committee later this week takes up the bill with its own legislative clerk, numerous changes will have to be made.

Before the Senate Finance Committee, Abraham Epstein, secretary of the American Association for Social Security, suggested that the committee investigate both the financing and "propaganda" behind the Townsend pension plan. The House committee already has sought such information from Dr. F. E. Townsend, who promised to submit later a statement about his aides and the funds raised by his organization.

Mr. Epstein called the Townsend drive "the finest promotion job in American history."

"Where is the rake-off in the Townsend plan?" Senator Clark asked.

"It's for your committee to find out," Mr. Epstein replied. "Congress has a duty to investigate the source of the propaganda behind the Townsend plan."

Senator Gore said he understood Townsend organizers made as much as $10 and $15 a day.

The Postoffice Department has looked into the promotion of the Townsend plan, but no results have been revealed.

New York Times
Tuesday 4/9/35

CONFERENCE BACKS SOCIAL SECURITY

Passage of the Present Bill in Congress Urged by Speakers at St. George's Church.

NATIONAL POLICY SOUGHT

Shortcomings of Measure Are Conceded, but Defended as Laying a Foundation.

Miss Frances Perkins, Secretary of Labor, was publicly accused of spreading propaganda to "sovietize" the United States at the end of an address she made last night in St. George's Protestant Episcopal Church, Sixteenth Street and Stuyvesant Square.

Invited by Suffragan Bishop Charles K. Gilbert to occupy the pulpit to explain the Federal administration's social-security program, Secretary Perkins outlined the provisions in the bill for old age pensions, unemployment insurance and unprotected children.

She was addressing the regional conference on the church and social security under the auspices of the Department of Christian Social Service of the National Council of the Episcopal Church with the cooperation of the Department of the Church and Social Service of the Federal Council of Churches of Christ in America.

Several hundred persons occupied pews in the church, of which J. P. Morgan is a member. At the end of Miss Perkins's address she descended from the pulpit and consented to answer questions.

Questioned From Audience.

A young woman in the audience asked the Secretary of Labor:

"Have you read Karl Marx's Manifesto?"

Before Miss Perkins could answer the young woman asked all present who had read the manifesto to raise their hands.

Bishop Gilbert overruled her on that point, and then the young woman said:

"Karl Marx's Manifesto, Page 30, proposes the same program of unemployment insurance and old age pensions that you have just outlined. How can you support such a program when you know that it is the same as Marx's?"

"I am supporting it," Miss Perkins replied, "because I'd rather see it a reality than on page 30."

Another woman asked Miss Perkins how she "could paint such a rosy picture when the crop-reduction program had brought about the destruction of crops and livestock while people were starving."

"No One Starved," Says She.

Miss Perkins replied that no one had starved in the United States.

At this juncture Bishop Gilbert intervened and warned that he would stop the questioning "unless the ladies were courteous to their visitor."

One of the questioners insisted that she was within her right in asking the Secretary of Labor about "things she ought to know."

The first young woman rose and asked:

"Doesn't Madame Perkins know that we are not going to be sovietized if it takes my life to prevent it?"

Another woman wanted to know whether the social security program would benefit aliens who lingered here "when they ought to be deported."

At the end of the discussion Bishop Gilbert asked those present if they did not think it appropriate to vote their gratitude to Miss Perkins for her address.

Vote Is Opposed.

"No, we don't," replied one of the opposition.

The group who took issue with the Secretary of Labor refused to give their names, and others present could not identify them.

In her address Miss Perkins explained that a public works program was separate from, but complementary to, the proposed economic security legislation. She defended the Ways and Means Committee against criticism of undue delay in revising the draft of the bill, and said they were making it broader rather than narrower.

She said that some form of disability insurance would be recommended in the measure, if not this year, possibly next year.

The enactment of a definite Federal program of social security, not only to relieve unemployment but as a permanent feature of American life, was urged by speakers earlier.

The Social Security Bill now before the House of Representatives was the chief topic of discussion, and though it was criticized as inadequate, all the speakers urged its passage as the foundation on which later may be erected a comprehensive and permanent program.

Edwin E. Witte, executive director of President Roosevelt's committee on Economic Security and Professor of Economics at the University of Wisconsin, asserted that if the bill fails of passage, the social security movement will receive a serious setback.

Delay Is Criticized.

Criticizing the President for having delayed his social adjustment program and the measure as imperfect, Dr. John B. Andrews, Secretary of the American Association for Labor Legislation, nevertheless advocated its adoption.

"The Social Security Act now before the House of Representatives for action is the only Federal social security measure which has the slightest chance of passage," Professor Witte said.

"A bill of this kind doubtless could have been passed much more easily a year ago. Being now out of the red, there is a strong demand on the part of many business men to be left alone. At the same time, there has developed an unthinkable radicalism on this subject.

"The President's program," said Dr. Andrews, "under which he sidetracked the promising Wagner-Lewis unemployment compensation bill of one year ago with the promise of a well-rounded social insurance program for action by Congress this Winter, has had the unfortunate effect of delaying action by State Legislatures."

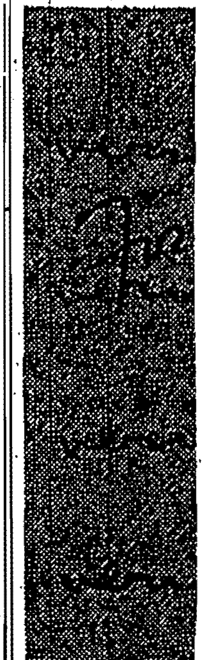
Taking as his topic "The Church's Concern with Social Security," the Rev. C. Rankin Barnes, executive secretary of the department of Christian social service of the national council of the Episcopal Church, asserted that this concern reaches down into the depths of Christian doctrine. Other speakers were Spencer Miller Jr., also of the council; Bradford B. Locke, executive vice president of the church pension fund, and the Rev. Dr. R. Ernest Johnson, secretary of research and education, Federal council of churches.

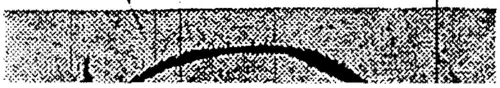
GRIFFIN, LAWYER, FREED.

Wins Directed Acquittal on Charge of Deserting Son.

William H. Griffin, 51 years old, said to be a special counsel in the Federal Department of Justice in NRA code violations, was acquitted by order of Judge Collins in General Sessions yesterday at the close of the State's case on an indictment charging he deserted his son, then 12 years old, in 1932. He was rearrested as he left court on a warrant accusing him of non-support, obtained by his former wife, Mrs. Grace W. Griffin of 131 East Ninety-third Street, but was paroled by Justice Pankin in the Family Court for a hearing on April 29.

Mrs. Griffin, who obtained a divorce in 1924, was the complainant against the lawyer on the desertion charge. He was married to Zelia Barnett in Natchez, Miss., the year following the divorce.





Changing Minds

Owning Medco, Merck Takes Drug Marketing The Next Logical Step

Pharmacists Cajole Doctors To Switch Prescriptions, In a Controversial Tactic

The Pitch: Keep Costs Down

By ELYSE TANOUYE
Staff Reporter of THE WALL STREET JOURNAL

TAMPA, Fla. – The Venetian blinds of the small, cramped room are drawn to keep out the sun. Still, sweat glazes Jack Diamond's brow as he paces between two desks, working a pair of telephones.

While holding on one call, he delivers a sales pitch on the other with a practiced urgency, then hangs up with a smile. "I just got a double," he proclaims to his bosses.

In a state renowned for its telemarketers, Mr. Diamond seems to be one of the best. But he isn't selling magazines or penny stocks. As a pharmacist employed by Merck & Co.'s newly acquired Medco Containment Services Inc., he is trying to persuade physicians to cancel prescriptions they have written for one drug and prescribe a drug he is promoting instead. The "double" he just scored was the switch of two prescriptions a doctor had written.

In call after call one recent afternoon, the bespectacled Mr. Diamond, clad in a white medical coat, talked nearly all of the doctors and nurses he contacted into changing their prescriptions to Medco-preferred drugs. Nine other pharmacists and assistants also work elbow-to-elbow in this tiny room, and among them they switch thousands of prescriptions each month.

That ability to directly influence physicians' prescribing decisions – and affect drug market share – is a big part of what Merck sought when it paid $6.6 billion last year for Medco. It is also a driving force behind the multibillion-dollar scramble by other drug makers to acquire Medco's competitors. SmithKline Beecham PLC recently announced that it will buy United HealthCare Corp.'s Diversified Pharmaceutical Services for $2.3 billion. Pfizer Inc. plans to form close relationships with Value Health Inc. and Caremark International Inc. through strategic alliances. And Glaxo Holdings PLC is negotiating an alliance with McKesson Corp.'s PCS Health Systems Inc. subsidiary.

When Medco was independent, it developed the telemarketing and other tactics to control its customers' prescription drug costs by steering physicians to lower-cost branded and generic drugs. Almost overnight it disrupted the powerful and enormously profitable marketing link with physicians that drug companies like Merck had taken years to build. And by forcing drug companies to discount prices—or face losing market share to those that did—Medco and its competitors put enormous pressure on the industry's profits.

Now, with Medco under its control, Merck is turning that formerly damaging strategy to its advantage. While Merck's salespeople are still visiting physicians and leaving drug samples, the company has begun putting Medco's pharmacists to work, manning the telephones to sell Merck's products. Together, the combined Merck and Medco are revolutionizing the way pharmaceuticals are sold.

But the acquisition is controversial. Edward S. Curran Jr., director of pharmacy at HMO Blue in Framingham, Mass., a Medco customer, finds disturbing Merck's turning cost-control techniques into ways to sell pharmaceuticals. "It's putting the fox in charge of the henhouse," he says. Philip R. Alper, a Burlingame, Calif., physician, denigrates telemarketing pharmacists as "hucksters for the drug companies" and "totally unprofessional."

Regulators are beginning to scrutinize the drug companies' changing marketing strategies. The Food and Drug Administration is looking into the new marketing tactics to determine whether they violate laws on patient safety and disclosure. And now, the Health and Human Services Department has launched a criminal investigation of the Miles unit of Bayer AG over a program that paid pharmacists for counseling patients on use of a Miles drug (see article on page A3).

"The market is changing radically, and delivery to this market is going to be very different in the future," says P. Roy Vagelos, Merck's chairman. Those new marketing tactics will be controversial, he concedes. But "that's always true of a new thing."

Merck-Medco will always offer the best medicines for the best patient health, combined with Medco's ability to contain drug costs, a spokesman said.

The acquisitions and alliances are controversial also because they give drug companies direct access to specific information about individual prescriptions through mail-order or claims-processing operations. Drug benefit management companies use such data to intervene in relationships among physicians, patients and pharmacists to influence drug selection and use. The patient information also gives drug companies a database to help them try to prove their drugs are more cost-effective than competing drugs or other treatments.

Some physicians complain the new marketing tactics by Medco and other managed-care institutions are coercive and disruptive. Glenn Littenberg, a Pasadena, Calif., internist, says he feels "badgered" by phone calls that interrupt his

Please Turn to Page A8, Column 2

Changing Minds: With Medco, Merck Alters Marketing of Drugs

Continued From First Page

time with patients and that push him to use drugs that aren't his first choice.

Many retail pharmacists, already angry at Medco and its competitors for their low reimbursement rates and, in some cases, for excluding them from health-plan networks, profoundly resent Merck for joining Medco's side. The NARD, an association of independent pharmacists, recently wrote Dr. Vagelos complaining that "Merck has increasingly initiated programs that will result in the demise of the independent retail pharmacist if not challenged." It added that it won't accept financial support from Merck anymore.

The new marketing tactics may be generating ill will, but they work. Medco's telemarketing pharmacists at its 11 facilities across the country expect to switch some 75,000 prescriptions a month, or nearly one million over the next year.

Merck just a few years ago resisted demands by managed-care organizations such as Medco to discount prices. But as managed care grew in size and power, Merck's salespeople weren't able to get into certain hospitals. And, even more disturbing, Merck drugs were excluded from institutions' formularies (lists of recommended drugs), Dr. Vagelos says.

How things have changed. Since taking over Medco, Merck has wasted no time in putting managed care to work for its own drugs. Medco is developing a program to put a package of Merck drugs into telemarketing and other switch programs, says Wayne T. Gattinella, Medco's marketing chief. The program will guarantee that the Merck drug is appropriate for the patient and that the health plan will pay less whenever a Merck drug is substituted for a competing product.

Make Mine Colestid

Merck drugs will soon benefit from handling such as Medco gives to the Upjohn Co. drug Colestid. Upjohn recently reformulated the anticholesterol drug, a powder that "tastes like Tang" when mixed with water, says Mr. Diamond.

Whenever a prescription for Bristol-Myers Squibb Co.'s competing drug Questran comes into Medco's huge mail-order facility here in Tampa, a computer redirects it to the telemarketing room. Mr. Diamond's assistants, Alice Smith and Vicki Knott, place a call to the prescribing physician's office, using techniques they have mastered for getting past receptionists. In a friendly voice, Ms. Smith tells the receptionist she is calling from a pharmacy, which is true, and she needs to talk to the doctor about a prescription he has written for a certain patient. (Physicians usually take a pharmacist's call concerning a prescription.)

When the doctor comes to the telephone, Ms. Smith waves to Mr. Diamond, who plugs into the call and, looking over Ms. Smith's shoulder, quickly scans the patient's computerized drug history. He tells the doctor that the patient's health plan has a cost-savings program and has asked whether the Questran prescription can be switched to Colestid. The flavor has been improved so the patient is more likely to take the drug regularly, he adds. "OK? Fine. Is that two times a day?" he asks.

Ms. Knott, sitting across the aisle from Ms. Smith, then signals Mr. Diamond to join another call in progress. In the course of an hour, Mr. Diamond completes the switch of 10 Questran prescriptions to Colestid, which could result in Colestid sales to those patients for years to come. Drug companies pay Medco rebates for switched prescriptions and other market-share increases. Medco shares those rebates with health plans. Moreover, telemarketing calls appear to predispose the physician to then prescribe the drug for other patients as well, says Mr. Gattinella, who is a former vice president of consumer marketing at MCI Communications Corp.

Getting Heartburn

Medco has started a switch program for Merck drug Prilosec. In another Medco facility in Columbus, Ohio, pharmacist Claudia Ongaro sits at one of a roomful of small carrels, where she spends her day calling physicians about prescriptions that they have written for high doses of popular stomach medicines, an indication they are treating severe heartburn. During a call to a New Jersey gastroenterologist, she learns the patient also has an ulcer, and she concurs with the doctor's judgment that, in this case, Prilosec wouldn't be appropriate. But before hanging up, she still manages to get across that, when severe heartburn is the problem, the health plan recommends Prilosec because it is cheaper. The seed is planted.

Medco's telemarketing pharmacists are making obsolete Merck's 2,000 traditional foot soldiers, the detail men and women who make personal sales calls on physicians. Dennis Hansen, a pharmacist who oversees Medco's Tampa telemarketing operation, recalls his frustrating days as a detail man for Eli Lilly & Co. sitting in waiting rooms for hours to get maybe two minutes with doctors, he says.

Merck and Medco executives have assured the traditional Merck sales people that they will still be needed to promote drugs. But it is clear that managed care's influence over prescription drugs is growing, and many Merck marketing employees have volunteered to move to the Medco operation to be part of the future action, Merck managers say.

Pharmacists who work the phones take a three-week telemarketing course and periodic refreshers. They also learn along the way to identify themselves as pharmacists, omitting mention of their connection with Medco unless they are specifically asked who employs them. That they happen to work for Medco is irrelevant, Medco managers say.

Medco soon will also pitch preferred drugs directly to patients when they call a toll-free number about their prescription order or when they have other questions, Mr. Gattinella says. The company gets 14 million patient calls each year, and every call is an opportunity to move prescriptions to preferred, lower-cost drugs.

And patients are encouraged to carry Medco's message to physicians. The company sends to patients a credit-card-sized pamphlet that identifies drugs to be avoided, suggests alternatives and rates popular drugs by cost.

Medco is also giving retail pharmacists incentives to boost Merck's blood-pressure medication Prinivil over the competing product Zestril, sold by Zeneca Group PLC, which has its own incentive program. Under the Medco program, retail pharmacists can earn a rebate for increasing the share of prescriptions for Merck's products over Zeneca's. (The drugs are identical. Indeed, Merck makes both of them, selling one as Prinivil and licensing the other to Zeneca, for a portion of the proceeds. Zeneca's version has a far larger share of the market.)

In addition, Medco pays pharmacists to counsel its health-plan patients about taking medicines properly — for example, the correct technique for using asthma inhalers. Such programs have won the endorsement of the American Pharmaceutical Association, a professional group. Lowell Anderson of St. Paul, Minn., a past president of the group, concedes that pharmacists could be seen as salespeople if they are in the pay of drug companies. But, he adds, "These are things we've been doing all along for free for the managed-care people. If someone wants it to be done, then we *should* be paid."

All the new marketing approaches are done under the banner of cost-containment. And many of the tactics are also used by managed-care organizations, including health-maintenance organizations. Clearly, the drug-benefit-management companies must demonstrate that they lower drug costs if they are to win business from health plans. But Medco is one of the most aggressive of the group, and it unabashedly claims its "proactive patient and physician communications" move market share of preferred drugs. It always adds, however, that in all of its programs it will "always offer the best medicines" selected by an independent committee.

Besides pushing lower-cost branded products, Medco programs aggressively encourage substitution of generic drugs. Merck is developing a broad line of generics so that all of Medco's mail-order generic switches will go to its products by March 1995. Between 35% and 40% of the drugs Medco dispenses through its mail-order facility are generics, and the percentage is expected to rise as a number of big-selling branded drugs lose their 17-year patent protection.

Wearing Them Down

All the prescribing pressure from Medco and other managed-care organizations makes some physicians yearn for the old days when all they had to contend with was detail men bearing free samples and other goodies. Dr. Alper says drug companies now compete with physicians for the authority to prescribe—and the companies have the advantage because "they have the leverage of manipulating the prices that the doctor doesn't have."

Employer health plans aren't opposed to the prescription switching programs so long as the physician has the final say, says Beth Ann Bird, a consultant at Hewitt Associates, which evaluates benefit management programs for employers.

Physicians can choose to ignore the pressure from Medco and other such organizations. In fact, Mr. Diamond's group usually fails to persuade about 40% of physicians called. But some doctors feel cowed. "At a certain point, you throw up your hands and say, 'Who am I to fight this?' " says Dr. Alper.

All the acquisitions and alliances, not just the Merck-Medco linkup, could backfire on the drug industry by creating credibility problems for the benefit management companies, says Alan L. Hillman, director of the center for health policy at the University of Pennsylvania. But, he adds, if Medco chooses to give Merck drugs preferential treatment and makes that strategy clear to its customers, "then caveat emptor."

Syntex Corp.

Drug Maker Posts 45% Slide In Fiscal 3rd-Quarter Net

Pounded by generic drug competition, Syntex Corp., Palo Alto, Calif., reported a 45% decline in fiscal third-quarter net income to $22.4 million, or 10 cents a share, compared with $40.80, or 18 cents a share, a year earlier.

The results, which included a $140 million restructuring charge, trailed analysts' expectations. The mean estimate was 27 cents a share, according to Zacks Investment Research Inc.

The pharmaceutical concern, which is being acquired by Swiss giant **Roche Holding** Ltd. for $5.3 billion, has been suffering from slumping sales since patents ran out on its two mainstay anti-inflammatory drugs, naprosyn and anaprox, and knockoff competition has been fierce.

For the period ended April 30, revenue slid 31% to $402.1 million from $584.3 million.

"They're in trouble," said Jeffrey J. Kraws, an analyst at Montgomery Securities, who had expected the company to earn 20 cents a share. "The generic competition is really hurting them and it's going to continue to hurt them."

The results were released after the close of trading Friday.

Shaw Industries Inc.

Shaw Industries Inc., Dalton, Ga., said it terminated an earlier announced agreement to form a joint venture with **Grupo Industrial Alfa** SA de C.V. of Monterrey, Mexico, for the manufacture, distribution and marketing of carpets, rugs and related products in Mexico and South America.

The venture was to hold the assets of Tenedor Terza SA de C.V., Grupo's Mexican carpet unit.

The company declined to comment on the reasons for terminating the pact.

Grupo reported revenue of $2.5 billion in 1993. Analysts said Shaw had put the venture, announced in January, on the back burner until the political situation in Mexico stabilized. CEO Robert E. Shaw said Shaw will continue to explore other means of investing in Mexico.

Leadership Race in the Senate Attracting Mainly Spectators

A1

By MICHAEL WINES
Special to The New York Times

WASHINGTON, June 22 — A struggle is raging across Capitol Hill this summer for one of the most eminent and visible posts in politics. Not that anyone can tell, though.

The fight is to succeed George J. Mitchell as majority leader of the United States Senate. Four months after Mr. Mitchell disclosed plans to retire at the end of 1994, only two of the Senate's 55 other Democrats — Tom Daschle of South Dakota and Jim Sasser of Tennessee — have offered themselves as a replacement. Neither is a household name, and their efforts to win support from fellow Democrats, while vigorous, are all but subterranean.

It seems an odd way to contest a job that, amid the Republic's single most concentrated collection of egos, is the Orient Express of ego trips.

As majority leader, Mr. Mitchell enjoys a coveted office just off the Senate floor, instant entree to the White House, limitless exposure on network television and excellent prospects of soon becoming a highly paid commissioner of baseball.

Past leaders have become President (Lyndon B. Johnson), Vice President (Alben W. Barkley) and Presidential hopeful (Senator Bob Dole, Republican of Kansas). Democratic luminaries, the statesmen and television celebrities of the chamber, should be falling over themselves to seize the opportunity.

Instead, they flee from it. "I was afraid that if I ran, I might have won," one much-touted noncandidate, Senator John B. Breaux of Louisiana, said not long ago on the Senate subway during a ride to his office.

Therein lies the ugly truth: public glories aside, a majority leader's job is anything but pleasant. The chamber's 99 other senators, any of whom can bring lawmaking to a halt, demand constant kowtowing to accommodate political and personal needs. Evenings are a treadmill of receptions and fund-raising events. The leader's personal political agenda must usually march in lock step with the party line, however ill-plotted and tortuous it may be.

"I really don't want to be the leader," said Senator Alan K. Simpson of Wyoming, No. 2 in the Republican hierarchy behind Mr. Dole. "I am wholly impatient with standing there to wet-nurse 99 other politicians."

In truth, majority leaders have no real powers beyond the force of persuasion. The job is a tradition, not a post written into law; the Senate's rules give it no explicit authority. In fact, the Senate had no one called a leader until 1920.

When political parties were stronger, leaders like Lyndon Johnson could crack the whip and bully senators onto the party line. But today's senators mostly raise their own money and run independent of their party or President, or even away from them.

The truth is that running the Senate has become the equivalent of tending the Augean stables. The few senators who aspire to it either burn to be Hercules or regard daily encounters with the back ends of livestock as high public service.

Of the two candidates, perhaps Mr. Daschle best fits the Hercules mold. A genetic politician, he told The New Republic last month that he had aimed for the Senate since high school. He won his first elective office, a House seat, at the age of 31, in 1978, and moved to the Senate in 1987.

Now 46 and barely into his second term, Mr. Daschle lacks a statesman's patina (he heads no committees, although he is co-chairman of the Democratic Policy Committee, a legislative research unit). But so did Johnson, who won the leadership in his second term.

What Mr. Daschle does have, most everyone agrees, is a deft intellect and feverish ambition. "He wants it, and it's very obvious to people," said Senator Jay Rockefeller, Democrat of West Virginia. "And I think he'll win it relatively easily, because of his hard work, his intensity."

Certainly the job has been in the back of Mr. Daschle's mind. "I didn't expect I'd be doing it this soon," he said in an interview last month, "but I did think, when the opportunity presented itself, that I'd attempt to determine how viable my candidacy was. And once I came to that conclusion, I made the decision."

Mr. Daschle has quickly risen where it counts — in internal Democratic politics — by bonding with leaders like Mr. Mitchell and his predecessor as majority leader, Senator Robert C. Byrd of West Virginia. The two men have rewarded him, first with a seat on the Finance Committee — easily the chamber's most powerful panel — and then with the co-chairmanship of the policy committee, a symbol of his stature.

An odd contest for a job that is the Orient Express of ego trips.

He has been on the front lines in support of President Clinton's health care package, and he won legislation in 1991 compensating Vietnam veterans for exposure to the defoliant Agent Orange.

But the bulk of Mr. Daschle's legislative record is more parochial: he fights for farm subsidies and tends to the needs of his state's sizable — about 1 in 14 South Dakotans — American Indian population. On most issues, he swims in the middle of his party's liberal mainstream.

So does his competitor, Mr. Sasser. But if Mr. Daschle views the leadership as a chance to do both good and well, Mr. Sasser seems more inclined to a view of the leader as noble stablehand, pitchfork at the ready. Mr. Daschle was organizing his campaign within days of Mr. Mitchell's announcement; Mr. Sasser had to be prodded by friends and did not even declare himself a candidate until some six weeks later.

"I've devoted my career to public service," Mr. Sasser said in a recent interview, and "the zenith of public service" is the Senate leadership. "I wanted to help my country. That sounds kind of corny, but more of us over here think that and feel that way than we get credit for."

Mr. Daschle is said to have won over many younger, reform-minded Democrats who believe he will push more vigorously to increase the paint-drying pace of Senate deliberations. Mr. Sasser professes the same goal, but at the age of 57 he has won early backing from older senators who prefer his experience or, they may hope, his caution.

Dense Financial Problems

Mr. Sasser's 18-year Senate career is a study in low-key reluctance. He was drafted into Tennessee politics by friends, and languished in relative anonymity on the Senate Budget Committee until its chairman retired and two other senior Democrats rejected the job.

"I didn't really want it," he told The New York Times in 1990, and for good reason: the Federal budget is numbingly dense, and its deficit is both politically and fiscally intractable.

But ever the good soldier, Mr. Sasser took the chairmanship anyway, and promptly helped maneuver President George Bush into a 1990 deficit-cutting accord — including an income-tax increase — that proved damaging to Mr. Bush's re-election chances two years later. Last year, he played a central role in enacting Mr. Clinton's even more contentious package of spending cuts and tax increases.

This is draft-horse work, not show-horse work, Mr. Sasser said, but he seems to prefer working that way. Indeed, he is known for proposing and supporting the same moderately populist ideas that more driven politicians employ to propel themselves onto the nightly news — urging restrictions on senatorial freebies like gifts and airport parking, opposing Congressional pay raises, crusading against fiscal waste. Mr. Sasser is undoubtedly driven, but he takes a distinctly different road.

The two candidates differ personally. Mr. Daschle is articulate and aggressively likable; Mr. Sasser is more old-shoe, prone to Tennessee farm-boy metaphors and sly humor. But on issues concerning running the Senate, there often seems less than a nickel's worth of difference.

Both men have mastered television, the prerequisite for a modern leader. Both profess a desire to speed Senate procedures, limit filibusters, get senators home earlier than the 9 or 10 o'clock closing hours that are now routine, and rein in the chamber's increasingly corrosive partisanship.

Soothing Other Egos

The only real question is why either wants the job. If the job is demanding, the campaign for it can be demeaning. Candidates often stage fund-raisers for fellow senators — "I must do 15 or 20" every couple of years, Mr. Daschle said — and try to collect on that goodwill later, in private appeals for support made in each senator's office.

Bands of supportive senators help plan strategy, take head counts and act as cheerleaders. The vote for majority leader, set for next January, is a pitiless and public judgment of each candidate's worth by his peers. It is not a race for the weak-kneed.

While Mr. Rockefeller says his man's prospects look exceptionally bright, Mr. Sasser's backers say slow and steady will win the race.

View From the G.O.P.

Maybe, and maybe not, says Mr. Simpson, who points to at least two flies in the Democrats' ointment.

The first is that neither candidate can become majority leader without a majority, something that remains uncertain until after voters choose winners in 34 contested Senate races this November. (They could run for minority leader.) The second is that leadership races are conducted by secret ballot.

THE NEW YORK TIMES, THURSDAY, JUNE 23, 1994

ROGER — THIS IS WHY IT IS SOMEWHAT PECULIAR TO ASSUME THAT THE LEADER IS IN A POSITION TO CARRY OUR H2O ON REFORM — THE CHAIRMEN ARE THE SUBSTANTIVE POWERHOUSES — EVEN THO MITCHELL IS WELL RESPECTED, HIS ROLE IS ONE OF PRTY LDR. MLW

FYI from

Ira Magaziner

James J. Mongan

Health Care: Why We Failed the Last Time

THE WASHINGTON POST TUESDAY, NOVEMBER 9, 1993

I am the doctor who was at the bedside when the last national health proposal, put forth by the Carter administration, died. The time was May 1980 and the place the Senate Finance Committee. I was the White House representative for the Carter administration during the committee's bill-drafting session. The proposal died quietly, with little attention from the media, after a two-year "wasting illness" during which it shrank from a large, relatively robust proposal to a small, anemic shadow of its former self.

The Carter plan began, under principles released in July of 1978, as a proposal for a phase-in of universal coverage. But the administration was never certain of support for the increased taxes of employer mandates necessary to make universal coverage a reality. So the plan began to diminish even before it was released in "draft form" in January of 1979—to a proposal for a phase-in of coverage, with each expansion conditional on certain economic circumstances. This conditional phase-in was then diluted further, during congressional consultations, to one conditioned on further congressional votes for implementation at each phase.

Finally, universality was left behind in March of 1979 when the Carter administration fell back to an attempt to pass a phase-one-only bill that would have achieved some modest expansion of low-income coverage, along with a diluted employer mandate of much less expensive coverage, against only catastrophically high health costs. The proposal finally expired in May 1980 when the Finance Committee failed to reach agreement even on this anemic remnant of the original proposal.

I write now in the hope that we can learn some lessons from an autopsy of this case that might lead to a different outcome for the Clinton proposal.

There are important similarities between the Carter and Clinton plans and their political context. Both proposals, at least at the outset, have been quite broad in scope, calling for a phase-in of universal coverage, and a broad set of benefits, financed in good part through an employer mandate, with appropriate subsidies. There are also some similarities in the political setting with, in both instances, a Democratic president working with a Congress controlled by Democrats.

There are also, of course, important differences. Substantively, the Clinton proposal has a somewhat different administrative structure, relying on state-based health alliances that foster managed competition. There is a relatively large role for state flexibility. The Carter plan had a larger federal role, with employers having a choice of obtaining private coverage, or obtaining coverage through a federally sponsored public backup program modeled after Medicare.

As for the political setting, there are at least two important differences. First, President Clinton has placed health insurance high on his agenda from the earliest months of his administration. In the Carter administration, health insurance took a back seat to energy issues and welfare reform, to name but two competing issues. Secondly, there appears to be somewhat more cohesion among Democrats than there was in 1979 and 1980, when health insurance became an important battleground in the struggle between President Carter and Sen. Edward M. Kennedy prior to the primary election fights in 1980.

What lessons can be learned, then, from the story of the ill-fated Carter proposal? First we must establish the cause of death. The Carter proposal wasted away a little at a time, gradually growing smaller and smaller. Why? Undoubtedly, division among the Democrats was a major factor; it gave the administration little choice but to attempt to build a more conservative coalition around a much smaller proposal in the Finance Committee. Equally important was the subordination of the goal of universal coverage to other goals—among them avoiding tax increases and employer mandates, which aroused the anger of the small-business community.

The first lesson, then, is to remember the importance of party cohesion. A health insurance bill cannot be passed by Democrats alone. It surely cannot be passed with a badly fractured majority party. Democrats who want health insurance to pass must not allow the best to become the enemy of the good and bog down the debate in repeated tests of ideological purity.

Having said that, the second lesson is that during the pull and tug of congressional action, the moral compass to guide us through the health insurance debate and lead to a successful conclusion must not be lost or set aside. That moral compass is the attainment, by a date certain, of universal coverage. Once this debate begins to slide down the slippery slope away from universal coverage, through contingent universal coverage, on down to incremental expansions of coverage, it will suffer the same death by degrees as the Carter proposal.

Although just about everyone in Congress, of both parties, is ostensibly in favor of the concept of universal coverage, there is still a notable queasiness about the employer mandates and taxes necessary to make universal coverage real.

In the quest to gain the broad bipartisan support that will be necessary to pass legislation, there is the danger that the goals of avoiding taxes and mandates will again take precedence over the goal of achieving universal coverage—and we will again fail to meet the major moral test of this debate.

There is a message here for members of Congress. You can negotiate on the types and mix of taxes and mandates, but a guaranteed date for universal coverage must be nonnegotiable if we are to avoid the mistakes of the past and seize this historic opportunity. The test of history will be simple: Is everybody covered?

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Clinton Plan Imperils City Hospitals

President Clinton's health-care plan, in the main a valuable reform effort, would inadvertently brutalize New York City hospitals. That is the opinion not only of local hospitals, but also of independent analysts. The problem for New York is that the President's plan — and Congressional knock-offs like the recent proposal by Senator Edward Kennedy of Massachusetts — would pay for universal coverage primarily by imposing gargantuan Medicare cuts that are unevenly distributed.

About half of Mr. Clinton's in-patient Medicare cuts would come from hospitals that train doctors and hospitals that serve indigent communities. New York hospitals do a lot of both: they account for 5 percent of national in-patient Medicare expenditures, and about 15 percent of Medicare's contributions toward medical training and indigent care. And though universal coverage would provide inner-city hospitals with a new revenue stream, the extra fees would not come close to making up for the lost Medicare and other reimbursements.

The Administration contends that hospitals can absorb Medicare cuts without cutting services. That might be true of hospitals in general. But it is not true of hospitals in New York City. They would be caught in a vise; Washington would squeeze revenues by cutting Medicare while Albany — because it controls in-patient fees — would prevent city hospitals from offsetting Medicare cuts by jacking up prices to non-Medicare patients.

Congress could take some of the bite out of Medicare cuts by applying those cuts across the board. For example, it could cut payments that now compensate hospitals for inflationary increases in medical prices — a cut that would affect hospitals evenly. Instead, the President has proposed a small across-the-board cut and a huge 60 percent cut of money for medical training.

Some staff members of the Administration and of key Congressional committees admit that proposed Medicare cuts hit New York City unfairly. But they have been powerless to solve the problem because Congress is not ready to focus on details, and even if it were, it would be in no mood to figure out how to replace the lost Medicare savings. The danger is that Congress will succumb to temptation and pass reform that looks good on paper but pays for itself by ravaging inner-city hospitals.

Timorous on Timor

It is generally reckoned that at least 200,000 civilians died after Indonesia lawlessly invaded in 1975 and then annexed the former Portuguese colony of East Timor. But unlike recent massacres in Rwanda, it caused no international outcry, no calls for military intervention by the United Nations. One reason for the different response is that Indonesia is a big and powerful Islamic country, a leader of the nonaligned bloc, yet also a lucrative market for Europe and the United States. And Jakarta has few scruples about using its muscle.

This has been confirmed afresh by Indonesia's crude pressure on President Fidel Ramos of the Philippines to censor a human rights conference in Manila scheduled to begin next Tuesday, at which eight exiled East Timorese activists were invited to speak. When Indonesia's military regime learned of this, it warned that unless the conference was canceled, Indonesia would probably refuse to be host to peace talks between the Philippine Government and Muslim separatist rebels.

Initially President Ramos tried to mollify Indonesia, sending an envoy to Jakarta and stressing that Manila recognized East Timor as part of Indonesia, adding that his Government was powerless to halt a private conference. The rumbling only increased in Jakarta, so Mr. Ramos on Friday banned non-Filipinos from taking part in the conference, saying their presence would be "inimical to the national interest." Now Jakarta has pulled out of a Filipino trade fair, which has been postponed. Thus does Indonesia assert its right to silence debate on East Timor anywhere.

Will Australia be the next target? In years past, Australian journalists have defied travel restrictions to East Timor. But like the Philippines, Australia meekly refuses to challenge Indonesia's illegal grab of this unfortunate former colony. Indeed, in the tradition of Orwell's Newspeak, Australian diplomats avoid mentioning the words "East Timor" and pointedly talk about "Timor," thus uniting in their vocabulary what Indonesia has vainly striven to unite with gun and bomb. The sound of those dropping knees surely has not escaped the Suharto regime, and Canberra may soon be pressured to carry self-censorship even further.

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