Letters

A Caution on Rationing Health Care . . .

To the Editor:

In "The Hard Choices in Health Care" (Forum, July 19), Dr. William B. Schwartz points out that the tremendous advances in medical technology have become very expensive, to the point of becoming unaffordable in many cases, and raises the specter of rationing. Although I agree that a form of rationing may eventually become necessary, I think Dr. Schwartz has overlooked some major opportunities to save money in our health care system.

Outcomes research, indicating which new technology is really useful and under what circumstances it should be used, can have an important impact on cost containment without being considered a rationing technique. Significant savings may also be obtained if we cut administrative overhead, estimated at close to 25 percent of health care expenditures. Tort reform, reducing the cost of both malpractice insurance and defensive medical practice, could cut expenses. Legislation allowing physicians to turn off life support systems when the chances of survival are nil would also help.

If we accept health care rationing as the only effective measure of cost containment, we are giving up without a fight and missing some unique opportunities.

HENRY S. METZ, M.D., M.B.A.
Rochester, N.Y., July 20

Dr. Metz is chairman of the department of ophthalmology at the University of Rochester Medical Center.

. . . And Three Points to Focus On

To the Editor:

Dr. Schwartz indicated that cost containment just won't work in a world of medical breakthroughs. But rationing medical technology is no magic bullet in bringing down costs. If we ration a technology after it is developed, we will be guilty of a form of elitism that is contrary to the core values of this country. If we ration technology by freezing its development, we will deprive patients of their hope for a better life — even for life itself. Here are three suggestions for putting medical technology into proper focus.

First, there's a difference between *invention*, which is inherently good, and *utilization*. It is inappropriate use of technology that drives up costs without corresponding benefits to patients. As long as we blame innovation for the sins of utilization, we'll never control overuse and waste. We'll only stop technology that can create less expensive care and greater access to that care.

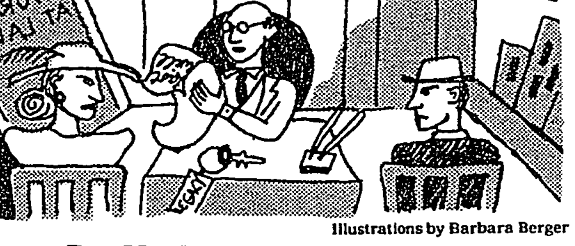
Second, we should get all the facts. We must support efforts to obtain better information about which treatments work best and turn them into practice guidelines for physicians. This will help cut overuse of products, drugs and procedures — much of which is driven by fear of malpractice suits — without harming quality. If we find technology being used in ways that don't make sense, we should demand liability reform to remove some of the external pressure for use of it.

Third, we should find new ways to count. For example, we know how much it costs to use a balloon catheter to open a blocked heart artery. But how do we capture the dollar *savings* — whether through greater productivity or a reduced worker's compensation bill — when a patient returns to work sooner because of this technology-enhanced procedure?

America's health care bill is the sum of what we, individually and as a society, demand from health care. The real question is one of value: Are the additional costs worth the benefits patients receive? If the answer is yes, then those increases reflect a sound decision. If no, we've wasted our money.

RAYMOND V. GILMARTIN
Franklin Lakes, N.J., July 28

Mr. Gilmartin is president and chief executive officer of Becton, Dickinson & Company



Illustrations by Barbara Berger

From: Subaru. Re: Marketing

To the Editor:

David Essertier's "A Subaru Ad That Should Be Buried" (Forum, July 12) provides an interesting twist on a highly acclaimed print ad. In fact, it's nice to know that so many people are taking an interest in Subaru's advertising and marketing campaign. But Mr. Essertier is the first — and to date, the only — person to assert that the common practice of writing a will while you're still very much alive leads to death. He is confusing sequence with consequence.

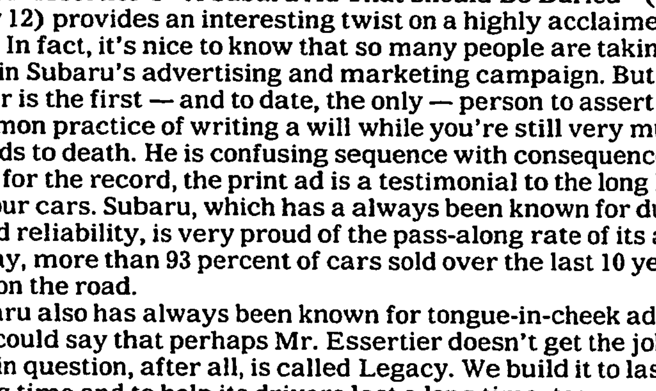
Just for the record, the print ad is a testimonial to the long life-span of our cars. Subaru, which has a always been known for durability and reliability, is very proud of the pass-along rate of its autos. Today, more than 93 percent of cars sold over the last 10 years are still on the road.

Subaru also has always been known for tongue-in-cheek advertising. I could say that perhaps Mr. Essertier doesn't get the joke. The car in question, after all, is called Legacy. We build it to last a long, long time and to help its drivers last a long time, too.

Oh, but right on, Mr. Essertier, on comparing us to Volvo. They're great cars, too.

CHRIS WACKMAN
Cherry Hill, N.J., July 24

Mr. Wackman is vice president, marketing at Subaru of America.



Leisure Time Is Meant to Be Just That

To The Editor:

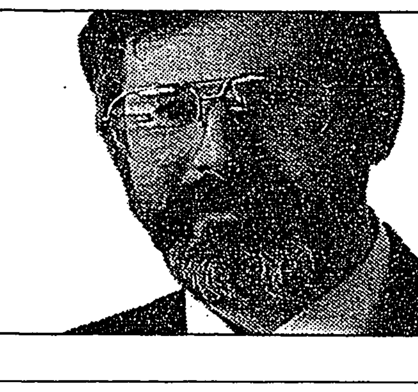
Barbara Mackoff's instructions about how to put leisure to use in "Keep the Work Place in Its Place" (July 26) raise an obvious objection: Isn't leisure time, by definition, the time you're not obliged to put to use?

Here's a truly reactionary suggestion. Don't let anyone tell you your leisure activities ought to "offer a sense of purpose" or that you "should take up a hobby." Ignore the self-help gurus, and just spend your leisure time the way you want to. That's what leisure is all about.

FELICIA ACKERMAN
Providence, R.I., July 26

The Times welcomes letters from readers. Letters for publication should include the writer's name, address and telephone number. Letters should be addressed to The Editor, Sunday Business Section, The New York Times, 229 West 43d Street, New York, N.Y. 10036. We regret that because of the large volume of mail received, we are unable to acknowledge or to return unpublished letters.

Collaborating Is the Key to Competing



By EDWARD MILLER

THE shocking news that American research and development spending is falling for the first time in 20 years — and may even be less than Japan's in absolute terms — means that our existing national research and development strategy is not working.

The United States needs a new approach to research and development built around support for collaborative research between companies. To become more competitive, the United States also needs to create a nationwide network of teaching factories paid for by shifting government research funds from military to industrial uses.

A number of American companies have already joined together in collaborative research and development projects. Such projects leverage their research dollars, permit broader and longer-term research and allow for the quicker diffusion of technological breakthroughs.

But while collaborative research works, the 2,100 companies presently engaging in it represent only a tiny share of American industry. The reason why so few companies collaborate is that most companies have yet to develop a culture of cooperation like their Asian competitors. In addition, the recession has reduced their overall research commitments.

Companies need significant incentives to join in research consortiums, particularly military contractors, which require targeted help to retrain engineers and help them shift to civilian production. Industry needs a research and development tax credit of the sort introduced last year by Representative Sander Levin, Democrat of Michigan, and Senator Joseph Lieberman, Democrat of Connecticut, which would provide a 50 percent credit to companies engaging in collaborative research. In addition, more Federal research and development spending should be devoted to supporting research consortiums.

America also needs to establish a nationwide network of teaching factories, particularly to help small manufacturing firms. Companies with less than 100 employees are 98.5 percent of all American manufacturing businesses. They need help to compete against their far-larger Japanese rivals. Teaching factories, run as nonprofit institutions by qualified universities and other groups, would give companies with state-of-the-art experience on the most modern production equipment.

Teaching factories would also be critical to converting military industries to civilian uses. They would provide facilities to retrain engineers and could help military contractors with the transition to civilian manufacturing. Teaching factories, several of which are already in place, combine instruction with hands-on production experience. Their most critical feature would be the ability to undertake full production.

A $500 million network of 150 teaching factories built over the next five years could have a significant impact on national industrial performance. Not only would they upgrade American manufacturing; they would also serve as a focal point for a new research approach linking businesses, universities, national laboratories, state industrial extension programs and the Federal research programs of the Commerce Department, National Aeronautics and Space Administration and other agencies.

Funds for these efforts need not increase the Federal budget deficit. Out of a proposed $76.6 billion requested for research in the 1993 budget, the Administration targeted only 8.5 percent, or $6.5 billion, for industrial technologies. By shifting funds from less important military projects to industrial research, and then using those funds for collaborative projects, we can meet the nation's needs for teaching factories and research consortiums out of our existing national budget.

It is time to act. There can be an industrial renaissance in America if industry, academia and government collaborate to make it happen.

Edward Miller is president of the National Center for Manufacturing Sciences, a research consortium with 130 corporate members, in Ann Arbor, Mich.

The Real B.C.C.I. Agenda: Islam

By RACHEL EHRENFELD

WHEN Clark M. Clifford and Robert A. Altman were indicted on criminal charges stemming from their involvement with the Bank of Credit and Commerce International, most of the world's attention was focused on the financial issues. But while B.C.C.I. — which has been accused here and abroad of money laundering, fraud, bribery and many other banking irregularities — made billions of dollars for its founders and millions of dollars, it is charged, for Mr. Clifford and Mr. Altman, its main mission was not financial. The aim of B.C.C.I., from the outset, was to put forward a radical-Islamic political agenda and to support third world causes.

From the beginning, B.C.C.I.'s founder, Pakistani businessman Agha Hasan Abedi, a member of the ultra-religious, quasi-secret Sufi sect, made plain the bank's ideological bent. He and other bank officials openly discussed their political and religious mission. In my opinion, it is unlikely that Mr. Clifford and Mr. Altman were unaware of B.C.C.I.'s political and ideological activities.

Mr. Abedi's aim for B.C.C.I. was for it to acquire enough political power to compete with — and even dominate — Western financial institutions. As investigators in Britain and the United States have showed, Mr. Abedi wanted to use B.C.C.I.'s money to gain a measure of control over Western political institutions as well.

One of the ways B.C.C.I. tried to gain political and ideological influence was through the media. To do that, Mr. Abedi bankrolled publications like South Magazine, a now-defunct economic and political magazine aimed at the elite of the third world. British investigators say B.C.C.I. also financed a regular opinion column on the Middle East that was published in Britain's Manchester Guardian newspaper. In the United States, according to disclosures made during last year's Senate subcommittee hearings, chaired by Senator John Kerry, Democrat of Massachusetts, B.C.C.I. indirectly aided in the purchase of several cable television systems and tried to buy more.

B.C.C.I. accomplished its political as well as financial goals, it is charged, by bribing prominent citizens as well as high government officials so they would act on the bank's behalf as Mr. Clifford and Mr. Altman allegedly did. Both were charged in the recent criminal indictments with accepting bribes and lying to the Federal Reserve to conceal B.C.C.I.'s ownership of First American Bankshares Inc., Washington's largest bank. According to investigators, bribing was B.C.C.I.'s modus operandi.

B.C.C.I. had plenty of cash: millions from drug traffickers and approximately $1 billion of unrecorded banking deposits from Islamic countries, principally Saudi Arabia. According to British investigators, these funds were used under contractual stipulation for commodity investments according to the strictures of Islamic law.

The massive infusion of unrecorded deposits provided B.C.C.I. with a distinct advantage over its Western counterparts. According to British investigators, B.C.C.I. was the bank for the Islamic fundamentalists as well as terrorist groups like Abu Nidal and Shining Path, the violent Maoist terrorist organization operating in Peru.

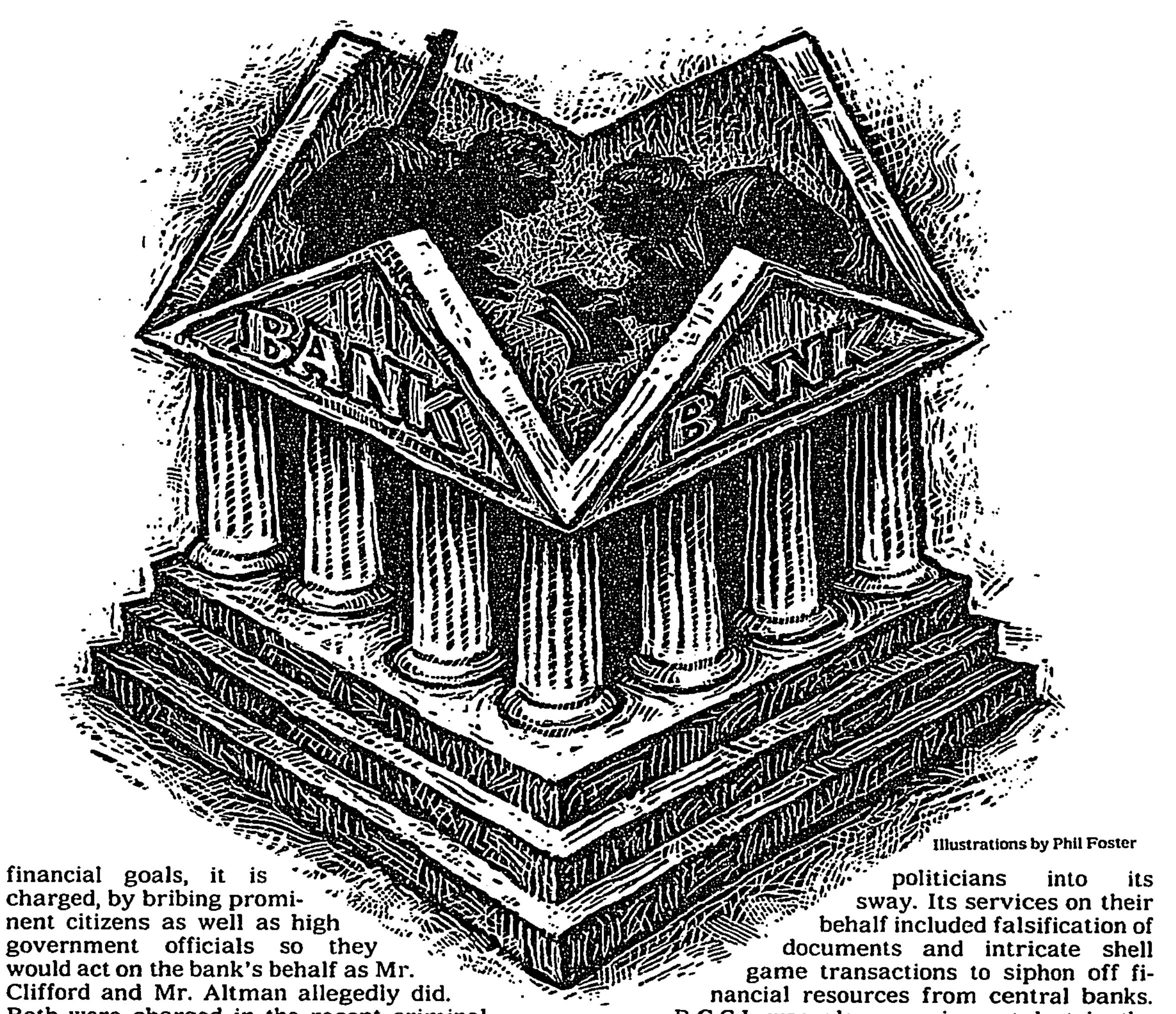
It is also charged that B.C.C.I.'s "special services" lured criminals, drug lords and corrupt politicians into its sway. Its services on their behalf included falsification of documents and intricate shell game transactions to siphon off financial resources from central banks.

B.C.C.I. was also a major catalyst in the transfer and sales of strategic weapons including nuclear military technology from the West and ballistic missiles from China to third world countries, especially Pakistan and Saudi Arabia, as documented by the Royal Canadian Mounted Police and by the House Republican Research Committee on Terrorism and Unconventional Warfare.

MR. ABEDI'S major contribution to furthering radical causes, like those of Abu Nidal, was to use an international bank as a political instrument. What he put in place through B.C.C.I. was allowed to continue for 19 years while the world's banking community and governments sat back and — in some cases — watched.

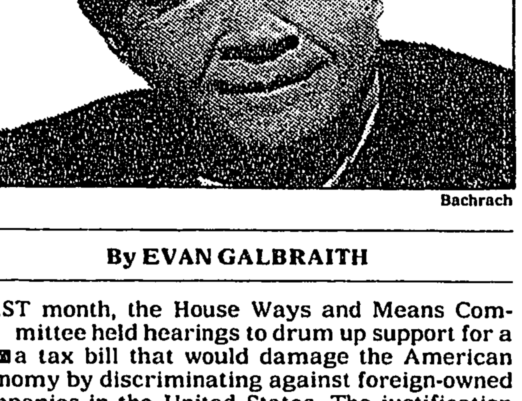
It was this misplaced sense of "realism" on the part of governments, including the United States, that allowed B.C.C.I. to grow to such global proportions before being shut down. It is also what gave B.C.C.I. the resources to draw people like Mr. Clifford and Mr. Altman into its web.

Rachel Ehrenfeld, a research scholar at New York University School of Law, is author of "Evil Money" and "Narco-Terrorism."



Illustrations by Phil Foster

Why Close a Door to Foreign Business?



Bachrach

By EVAN GALBRAITH

LAST month, the House Ways and Means Committee held hearings to drum up support for a tax bill that would damage the American economy by discriminating against foreign-owned companies in the United States. The justification offered for this bill is "fairness." But what the proposal's supporters are selling as "fair" is backdoor protectionism for American companies.

One provision of the bill wrongly assumes that competitors in a particular industry make roughly the same profit. The bill would mandate that taxable income for companies with 25 percent or more foreign ownership be at least 75 percent of the average income for American-owned companies in the same industry.

Suppose, for example, that the average profit for American computer manufacturers is 10 percent of sales. Based on the committee's formula, if a foreign-owned computer company's sales were $100,000, a minimum of $7,500 would be *declared* to be its taxable profit, even if the company did not earn that much profit — or lost money.

This "minimum" taxable income approach is supposed to catch foreign companies that inflate prices they charge American affiliates for goods, services or technology — so-called "transfer prices" — to reduce their taxable income here. Overlooked is the fact that such price inflation would likely cost these foreign companies more because it would increase income in their home countries where tax rates are frequently higher.

According to testimony given before a House panel in April by Alan Wilensky, deputy assistant secretary of tax policy for the Treasury Department, there is actually little evidence that widespread abuses occur. Mr. Wilensky maintained that "while several measures of profitability indicated that foreign-controlled companies were reporting less income on average than their U.S. counterparts," there were numerous legitimate, non-tax explanations for this discrepancy. Treasury officials have emphasized that new laws to enforce transfer pricing rules are *not* needed.

PART of the explanation for lower foreign-owned profitability lies in high startup costs associated with rapid investment expansion. Between 1983 and 1988, foreign-owned companies increased investments in the United States at three times the rate of American-owned companies. Foreign-owned companies also tend to acquire more debt than American-owned companies, thereby incurring greater interest costs.

Foreign-owned companies, in fact, paid taxes at nearly the same effective rate — taxes paid as a percentage of net worth — between 1983 and 1988, the latest year for which Internal Revenue Service statistics are available. That finding is contained in a study by KPMG Peat Marwick.

Yet some Congressional tax writers want to press discriminatory proposals against foreign-owned companies. Such efforts will immediately jeopardize an important source of American jobs.

Not only would the new tax bill endanger employment here, it would also jeopardize American investment abroad. If the United States enacts discriminatory policies affecting foreign businesses, other countries will feel a need to retaliate.

Discriminatory tax laws threaten American competitiveness at a time when new investment challenges are emerging worldwide. The bill's disincentives will detour capital that could have gone to the United States. The likely result will be American job losses and productivity declines. Those who are about to become unemployed should let Congress know that "fairness" must not become a synonym for recession.

Evan Galbraith, former American Ambassador to France, is chairman of LVMH Moët Hennessy Louis Vuitton Inc.