Chris Barth

INVESTED INTEREST

INTELLIGENT INVESTING

Get Briefed: Howard Dean On Healthcare, Tax Cuts and 2012

Feb. 18 2011 - 1:36 pm | *436 views* | *0 recommendations* | *1 comment*

Next week, Howard Dean sits down with Steve Forbes as part of the Intelligent Investing With Steve Forbes interview series. I had the chance to talk with him earlier this month about his thoughts on politics in Washington, healthcare reform and taxes; brief yourself on his opinions and insights below, and be sure to check back next week for his fascinating discussion with Steve Forbes.

Howard Dean

Dean is the former Chairman of the Democratic National Committee, presidential candidate, six term Governor and physician. He currently works as an Independent consultant focusing on the areas of health care, early childhood development, alternative energy and the expansion of grassroots politics around the world.

Dean on Healthcare

Dean surprised a lot of democrats by speaking out against the Healthcare Reform Bill; he has been quoted as saying that the law is a "bigger bail out than AIG." I asked him why he's not a fan of the bill, and what he would like to see in the way of healthcare reform.

"Real healthcare reform involves giving people more choices," Dean told me. "The truth is, the market system doesn't work in healthcare, and it's never going to work unless we change the way healthcare is paid for. You can do that with a very heavy regulatory hand, which I think has failed, or you can do that by allocating dollars based on patients and letting healthcare professionals decide how to spend those dollars in the best interest of the patient."

"What I would have done is added a public option, or the so-called medicare buy-in," Dean said, when I asked what he would have preferred to see.

But Dean sees some positives in the bill as it stands. "I believe what's going to happen as a result of this bill, however, is not all bad," he told me. "What's going to happen as a result of this bill is that small businesses are going to get themselves out of the healthcare business as fast as they can, even if they have to pay a penalty. And I think that's a very good thing."

"In general, it's bad for America's competitive position to have healthcare linked to employment," Dean said, giving some insight into a system that he feels forces companies to essentially run two businesses. "Whether our business community does a good job managing their healthcare costs or a not so good job – and it's very, very hard to do a good job because of incentives – it puts us at a competitive disadvantage against companies from Western, industrialized nations. Because their governments spread the healthcare cost across an entire population and ours is, largely, paid for by business."

Dean feels that his background as a physician gives him a unique perspective on the healthcare debate. I asked him what insight his medical career gives him into the political healthcare debate.

> "First of all, I see the horrible bureaucracies in both the private and the public sector. And I can assure you that the bureaucracy involved in private insurance is probably worse than it is with public insurance right now. Twenty years ago we used to all rail against Medicare. Now we all rail against private insurance companies. There's not a big difference from the physician's point of view, other than the reimbursement level, and even that's changing. There are a lot of insurance companies that don't pay more than Medicare now."
>
> "Secondly, I've been in the chair. I've sat with people as they've made decisions about their lives. It's unreasonable to do that; that's not what they pay you for. They pay you to guide them through these horrible problems."
>
> "As I jokingly say to the people who are advocating patients making medical decisions based on market forces, I practiced for ten years and

ABOUT ME

I am a reporter for Forbes in Intelligent Investing. I write about investing, personal finance, markets, news, music and whatever else falls through the cracks. As part of my job with II, I have the privilege of interviewing some of the greatest minds in investing, from Vanguard founder John Bogle to Boston Properties billionaire Mortimer Zuckerman. Keep an eye on this space to see what guests are sitting down with Steve Forbes, suggest questions you'd like to hear answered, and keep tabs on what the movers, shakers, and rock-solid veterans of investing, business, and politics have to say.
See my profile »

Followers: 12
Contributor Since: October 2010

MY PROFILE | MY RSS FEED
MY HEADLINE GRABS | EMAIL ME TIPS

> I never had a guy get up off of the table with crushing substernal chest pains and say, 'Doc, the guy down the street does it $2,000 cheaper, I'll see you later.' "

On that note, Dean also detailed why he thinks a true free market system doesn't work for healthcare.

"This isn't like buying a car," he told me. "The choice that I want in the hands of the individual is not which treatment they get – that doesn't make any sense. This is a commodity that doesn't lend itself to that for two reasons: First of all, it's necessary for the preservation of life, so there's obviously a strong moral component to it. And secondly, the consumer knowledge is so incredibly complex that it's unreasonable to expect – especially in times of mental duress, which people are under when they get really bad diagnoses – that people are going to be able to make the kinds of choices that most consumers can make when they're buying a car or house."

Instead, a different system is needed.

"The best system is to give consumers as much choice as possible to pick a particular insurance product. I'll give you an example of what I would have liked to have seen. I would have liked to have seen a choice between a capitated system that provided that you could go outside the system and a capitated system that provides if you have to stay inside the system. "

"If you go outside the system, obviously the system has less cost control, and you should pay a lot more for an insurance policy that lets you choose any doctor you want. Those are reasonable choices that I think consumers can make in an informed way. To decide whether they're going to have a coronary artery bypass graft, I think, is unreasonable."

Dean on Tax Cuts

Although his conversation with Steve Forbes largely focuses on healthcare, I took the opportunity to ask Dean about some other topics. I asked him about his view on the tax cuts, which he has in the past said were a mistake. He clarified his point, focusing on the resulting economic boosts of different tax cuts.

"I do think that the extension of the middle class tax cuts was fine," said Dean. "All that money really does go – essentially what the Republicans agreed to was a stimulus package. I think the tax cuts for people who make a million dollars a year make no sense. It doesn't really stimulate the economy and it doesn't do much for investment."

Dean expanded on what he would like to see happen. In particular, he thinks investors should be incented to make longer-term investments.

> "I would change the tax code. I don't think people should be rewarded for two or three year investments. I'd have no capital gains preferential treatment for the first three years, and then I'd run it to zero, so that you pay no tax on capital gains over – let's just say for the sake of argument – an eight year period. No tax."
>
> "The reason for that is that one of the problems in this country is that we're investing in financial instruments that don't create jobs, and

> we're not investing in things that do create jobs, like the biotech industry or various machinery industries. There are still some industries where we have a big competitive advantage, and we're not investing in those industries. Why? Because the tax code rewards you for investing in financial instruments with a one year horizon instead of investing in companies with a ten year horizon."
>
> "I think we ought to find ways to change the tax code; as far as I'm concerned, I don't care if it's revenue neutral. I'm not trying to raise taxes in this particular area. But I do believe that if we want investment in particular companies that create jobs, we need to advantage those investments."

Dean noted that he is a fairly conservative Democrat, and included a funny anecdote. "I'm not for tax and spend policies," he said. "Steve Forbes probably knows that I'm pretty conservative. In fact, I once got an A rating from the Cato Institute that caused them redo their numbers for two weeks, hoping it would go away."

"I really do believe that money matters and balanced books matter," said Dean. "But I do also agree with George H.W. Bush, who said that supply-side economics is voodoo economics. I think it absolutely is. The Republicans always seem to practice voodoo economics; where the Democrats have historically been tax and spend, until Clinton, the Republicans are borrow and tax, which in the long run is even worse."

"I think if you're a progressive – and I think of myself as a progressive – the best way you can have reform and change in programs is to balance the books. Because if you do that, then everything that you do is sustainable. So we ought to try to do things incrementally, and we ought to pay for them as we go. That includes tax cuts. I know what the argument is on the other side: 'It's our money in the first place, blah, blah, blah.' Well fine, then let's not have any government at all and see how you like that."

"But the fact of the matter is that as long as we're going to have a government – and I haven't talked to anybody aside from a few really crazy people who think we shouldn't have any government at all – you have to pay for it. From the point of view of government, it doesn't matter if it's a tax cut or a program, it's still an expense. It still affects the revenue sheet the same way. So tax cuts should be paid for; if you're not willing to cut programs, then you shouldn't cut taxes. And new programs should be paid for; if you're not willing to raise taxes, then you shouldn't start new programs."

Dean on Bailouts

I also asked Dean for his opinion on TARP and the Federal bailouts.

> **In the past, you've said that bailing out the creditors of failed institutions was a mistake. What did the government and the Fed do right, and what did they do wrong during the early TARP days?**
>
> **Dean:** I wouldn't say it was a mistake in its entirety. What I've said is that I think they needed to take a haircut and they didn't – and that was what the mistake was. There has to be a balance in everything.

I think most of what they did worked. It turned out that we're not going to lose much money out of the TARP or the bailouts. But I think the mistake – you have to look at this not so much for what you thought was wrong at the time, but what the result is. The result is that, with the exceptions of the banks that went broke, most of them are in better shape than they were in. Some of them, Bank of America for example, still have significant problems, but the car companies were saved, the jobs are still there, etc. etc. etc.

However, first of all, in the case of the banks, to not have the creditors take a haircut is a terrible mistake. And the bigger mistake has been in places like Ireland and Greece, more than it was here. There it was a huge mistake. Because otherwise there really is a moral hazard. The whole fear of that was discussed and dismissed, and I think it was dismissed too lightly. Part of it was because it was presented in an all or none format. The truth is, we needed to leave the moral hazard alive – that is, they had to take a haircut – but it would have been unreasonable to let them take the whole hit and have the entire financial system collapse. That would be the collapse of the two or three biggest banks in the world, if not five or six of the biggest banks in the world.

So that was the first mistake – they took an all or none position. The truth was that there was a middle of the road position that they should have taken, which is that we were going to have to do big bailouts, but there was going to have to be some moral hazard and some penalty.

Second of all, these banks still exist and they're still doing the same things. They're probably more careful, but they haven't learned a lot. They really are too big to fail, and that's a problem.

It goes back to, "Without failure there is no discipline."

Dean: I believe it was Hayek that said that. I agree with Steve Forbes that Hayek was right in this particular case. I'm not an aficionado of the economists of the right. What do they say, even a blind squirrel finds an acorn every once in a while? Once in a while the right wing is correct, and this is true. They are correct about this.

But I think there have to be consequences for action, and the consequences were a little haphazard. Now, I grant you that everyone was in a great panic. You have Lehmann Brothers allowed to fail, but not Bank of America.

And then you have some really terrible deals being made and also some really great deals being made. It was very interesting. Bank of America bought Countrywide, which appeared like insanity at the time, and probably was. And yet Jamie Dimon bought all this stuff at bargain basement prices and was much smarter about it than Bank of America was. Part of that was the United States government being so anxious to get the thing behind it, although how you could say Countrywide was a good acquisition and Bear Stearns was a bad acquisition in the same breath is not entirely clear to me. But there were obviously some mistakes because of the panic of the moment. On the other hand, the panic was obviously justified. Anyone who thinks this was just a minor problem and everything would have been fine if we let everyone go broke is not thinking straight and is indulging in reconstructive thinking after the fact.

Mistakes were made. We should have done better. But we did save the financial system, and that was worth something.

Dean on 2012

Finally, because no interview with a former presidential candidate can escape the question, I asked Dean about his plans for 2012 and who he would like to see run in the election. Dean voiced unwavering support for President Obama.

"I'm not going to get into that because I'm supporting Obama," said Dean, "and I'm not in the business of picking Republican candidates. I did that once and I'll never do it again. When Reagan was nominated, I said, 'Oh, this is great, he'll never win.' That was thirty years ago, and I haven't done it since."

"Do you think Obama will win re-election?" I asked him.

"I do," he answered.

Check back on Monday to see Dean's full interview with Steve Forbes, for a passionate and well-reasoned discussion of the state of healthcare and business in the United States. In the meantime, this week's guest, George Gilder, shares his thoughts on the future of semiconductors and innovative technology.

Recommend Buzz Up! Reddit StumbleUpon Facebook Twitter Email this

Previous Post:
Believe It: Nanomesh Straw Turns Sewage Into Drinkable Water

Next Post:
Cuban and Gilder Hurl Insults At Venture Capitalists

More on Forbes Right Now

LIVE STREAMS

Related streams

Business
Intelligent Investing
Investing
Markets
Pharma and Health
Washi

Comments

DISPLAY
Called-Out Comments All comments

One Comment
Post your comment »

DISPLAY
Called-Out Comments All comments

Log in for notification options

Comments RSS