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Is Max Baucus the New Phil Gramm?



By [Peter Dreier](#) - August 15, 2009, 7:51PM

Is Max Baucus about to do to America's health care system what Phil Gramm already did to the nation's banking system? Let's hope someone stops Baucus before it's too late.

Senator Phil Gramm, the Texas Republican, was a free market zealot who was more responsible than any other politician for the mortgage meltdown that led to the epidemic of foreclosures and the current economic recession. Now Senator Max Baucus, the Montana Democrat, is playing a similar role in the battle over health care reform. Although certainly more moderate than the right-wing Gramm, Baucus is nevertheless using his influence to undermine President Barack Obama's efforts to enact meaningful regulations that would require the insurance and drug companies to act more responsibly.

Just as Gramm argued that the banking industry could police itself without government rules and safeguards, Baucus is tying the hands of Congressional reformers who understand that we can't trust the insurance and drug companies to protect consumers and control costs. If Baucus is successful, health care costs will continue to skyrocket and hurt the nation's economic well-being, compounding the damage caused by Gramm's reckless role in stifling banking reform.

Gramm, who served in the Senate from 1985 to 2002, opposed any government regulation of the financial services industry, arguing that banks and other lenders could police themselves. As powerful chair of the Senate Banking Committee, and as the banking industry's chief spear-carrier in Congress, he was the key architect of the deregulation of the financial services industry. During the 1990s, [Mother Jones](#) magazine noted, "he routinely turned down Securities and Exchange Commission chairman Arthur Levitt's requests for more money to police Wall Street."

He was the major sponsor of the the Gramm-Leach-Bliley Act, passed in 1999, and the Commodities Futures Modernization Act, passed in 2000, which tore down the remaining legal barriers to combining commercial banking, investment banking, and insurance under one corporate roof.

Gramm's free-market fundamentalism made him a willing puppet of the financial services industry. According to the [New York Times](#), "From 1989 to 2002, federal records show, he was the top recipient of campaign contributions from commercial banks and in the top five for donations from Wall Street. He and his staff often appeared at industry-sponsored speaking events around the country."

Gramm used his power as chair of the Senate banking committee to do the banking industry's bidding. Thanks primarily to Gramm, Congress wiped out the once stable and sound system of requiring banks to help homeowners buy homes rather than act like gamblers at a casino. The nation's ugly mortgage meltdown mess -- the escalating wave of home foreclosures, the growing number of bank failures, and the tightening credit crunch - is a direct consequence of Gramm's reckless actions. Washington walked away from its responsibility to protect consumers with regulations and enforcement. Operating without government rules and safeguards, banks and private mortgage companies indulged in risky loans and speculative investments.

They invented new "loan products"- including subprime loans and adjustable rate mortgages (ARMs) --that put borrowers, and their own banks, at risk. The *Times* reported that Gramm "pushed through a provision that ensured virtually no regulation of the complex financial instruments known as derivatives, including credit swaps, contracts that would encourage risky investment practices at Wall Street's most venerable institutions and spread the risks, like a virus, around the world." These practices created the financial house of cards that predictably toppled and brought down the entire economy.

After he left the Senate in 2003, Gramm became vice chairman and chief lobbyist for UBS, the Swiss investment banking giant. In that role, he used his political connections to lobby for further bank deregulation. He was a key advisor to John McCain's presidential campaign last year until he was forced to resign for his intemperate remarks that the country had become a nation of whiners" in a "mental recession."

Max Baucus chairs the Senate Finance Committee, which is a key player in shaping health care legislation. His opposition to government regulation has made him the darling of the health insurance and pharmaceutical industries. Just as the banking industry filled Gramm's campaign warchest, the insurance and drug companies love Baucus and have rewarded him with huge political donations.

According to the [Washington Post](#), Baucus is a "leading recipient of Senate campaign contributions from the hospitals, insurers and other medical interest groups hoping to shape the [health care] legislation to their advantage. Health-related companies and their employees gave Baucus's political committees nearly \$1.5 million in 2007 and 2008, when he began holding hearings and making preparations for this year's reform debate."

In the last three years, for example, Baucus has received \$63,350 from Blue Cross/Blue Shield; \$45,250 from Aetna, and \$46,750 from AIG. Health industry lobby groups have

hired more than 350 former government staff members and retired members of Congress to lobby for them. Two of them are Baucus' former chiefs of staff.

During the Bush administration, Baucus was one of the few Democrats who sided with Republicans on tax issues and on a prescription-drug law that has predictably turned into a boondoggle for the pharmaceutical companies. In 2003 the drug companies and their trade associations deployed nearly 700 lobbyists to stamp out a proposal to permit the federal government to negotiate the cost of drugs for Medicare recipients. Instead, the Bush administration and the GOP-controlled Congress, along with Baucus, added a drug benefit to Medicare, but prohibited Medicare officials from negotiating prices with drug manufacturers. It also guaranteed that private insurance companies, not Medicare, would administer the drug benefit program. This dramatically increased Medicare costs for taxpayers. Seniors, meanwhile, wound up paying much more in out-of-pocket expenses for prescription drugs.

Now Baucus is taking charge of much bigger health care legislation, but operating with the same anti-regulation ideology.

In June, Baucus announced -alongside Billy Tauzin, the former Republican Congressman from Louisiana who now heads PhRMA (the drug industry lobby) - that the drugmakers had committed to cut prices on prescription drugs by \$80 billion over ten years. But the deal is entirely voluntary - and it would preclude the federal government from negotiating for lower prices.

Baucus is particularly opposed to Obama's proposal for a "public option" - a government-run insurance plan which would allow citizens to select a Medicare-style alternative to private insurers. According to polls, 72 percent of the public and 90 percent of Democrats favor the public option. A public option would keep the insurance companies on their toes, and force them to provide better policies at a more reasonable price, or face an exodus of consumers. That's why they don't want it.

Likewise, the drug companies don't want a public option, which would expose how they inflate the cost of medicine that contributes to our expensive and inefficient health system. Drug prices in the United States are much higher than in Canada and other countries that regulate costs. But Baucus has apparently agreed to a drug industry proposal to bar consumers from buying US-approved prescription drugs from Canada and elsewhere.

In a recent [cover story](#), "The Health Insurers Have Already Won," *Business Week* reported that, "The [insurance] industry has already accomplished its main goal of at least curbing, and maybe blocking altogether, any new publicly administered insurance program that could grab market share from the corporations that dominate the business.... [The industry] has also achieved a secondary aim of constraining the new benefits that will become available to tens of millions of people who are currently uninsured. That will make the new customers more lucrative to the industry."

Although Baucus' name was conspicuously absent from the *Business Week* piece, his fingerprints were all over the story.

Last month, the U.S. Chamber of Commerce wrote a [letter](#) to Congress voicing its opposition to any "new government-run insurance plan" as well as an "any mandate" on employers to provide insurance to workers or pay a tax. It appears that the Chamber will like what Baucus is cooking up.

Faced with the possibility of a public option that will hold them accountable, the insurance companies and drug manufacturers are pledging to voluntarily trim their costs. If Baucus succeeds in removing a public option from the final health care bill, the insurance and drug companies won't have to worry about any competition. If we've learned anything from the Gramm-inspired deregulation mania of the past few decades -- particularly how it unleashed an epidemic of irresponsible and predatory behavior by banks -- it's that we can't expect for-profit corporations to police themselves on behalf of consumers, workers, or the environment.

Even former Federal Reserve chair Alan Greenspan had to acknowledge that unregulated markets don't work. But apparently Max Baucus hasn't figured that out.

Some observers argue that Baucus' anti-government stance isn't due to the massive campaign donations from the health care industry, but instead reflects the individualistic leave-me-alone values of his Montana constituents. But Brian Schweitzer, Montana's popular Democratic governor, is a big fan of government oversight of the health insurance and drug companies. Last Friday, Schweitzer introduced President Obama at a town hall meeting in Belgrade, Montana. According to the [Great Falls Tribune](#), Schweitzer's "ringing endorsement of Canada's universal health care system was well received by the audience" of 1,300 people waiting to hear from the president. "Did you know that just 300 miles north of here they offered universal health care 62 years ago?" Schweitzer asked the crowd, drawing enthusiastic cheers.

Baucus has so much influence because Senator Ted Kennedy, the Massachusetts Democrat who has championed health care reform for over 40 years and who chairs the key Health, Education, Labor and Pensions (HELP) committee, has been too ill to quarterback the legislative maneuvering in the Senate. Had Kennedy been healthy, he would have been able to use his personal relationships and legislative brilliance to neutralize Baucus and push for a progressive plan.

Instead, Baucus has rounded up five colleagues - Republicans Charles Grassley of Iowa, Olympia Snowe of Maine, and Mike Enzi of Wyoming, and Democrats Jeff Bingaman of New Mexico and Kent Conrad of North Dakota - to help him hammer out a bipartisan health care plan that eliminates Obama's public option alternative. (Critics point out that this group represents six states that have less than 3 percent of the nation's total population).

Baucus' opposition to regulating the health and insurance industry has made it impossible for the Democrats to take full advantage of their 60 vote majority in the Senate. He is not only leading the handful of centrist Senate Democrats against Obama's plan, but also empowering Republicans and right-wingers, including Rush Limbaugh, Bill O'Reilly, and Glenn Beck, to exploit the Democratic divisions.

It is entirely possible that Baucus' intransigence will lead to a stalemate, because his more liberal Senate colleagues, and the key House Democrats working on health reform, like Cong. Henry Waxman of California, won't buy what Baucus is selling. If that's the scenario, then we'll wind up where we were in 1994 -- after Clinton failed to health care reform -- with no bill that can win enough support to pass.

A second scenario is that Baucus will prevail, because he knows that Obama is so eager to pass a health care bill this year that he'll accept a compromise that is far from what he had hoped to win and try to save face by calling it a victory.

A third scenario is that liberal and progressive Democrats, and their allies among the labor movement, community groups, public health advocates, faith-based groups and others, will ratchet up their grassroots organizing and make Baucus - and his close ties to the insurance industry and drug companies -- the target. That was clearly why Obama traveled to Montana on Friday - to put pressure on Baucus in his own backyard.

Publicly, Obama praises Baucus. But Obama and the majority of the Senate Democrats are angry at Baucus for his obstructionism - more of a drug industry pusher and an insurance industry salesman than an advocate for real reform. Compare the insurance companies' big profits and outrageous corporate compensation to the tens of millions of Americans - including many Montanans - who can't afford health insurance, who can't get insurance because of pre-existing conditions, or who have policies that don't cover the things they need. Then challenge Baucus: which side are you on?

The crises in housing and health care are intertwined. A recent [Harvard study](#) found that high health care costs account for 62% of all bankruptcies, including foreclosures. Three quarters of them had health insurance that was simply too expensive.

After a Senate career shilling for the banking industry, Phil Gramm will always be known as the father of foreclosures. If Baucus prevails in carrying water for the insurance and drug lobby, he'll soon become known as the Senator who derailed genuine health care reform for a generation, a legacy that will wreak havoc for America's working families and for the larger economy.

One of government's important roles is to establish clear ground rules, and to regulate companies and industries, to save them from their own short-sighted greed. Government is necessary to make business act responsibly. Without it, capitalism becomes anarchy.

Gramm ignored that truism, and his actions led to an enormous amount of pain, suffering, and hardship. Will Baucus follow in Gramm's footsteps?

