

Medicine and the Vampire Economy

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*"If you put the federal government in charge of the Sahara Desert,
in five years you would have a shortage of sand."*
—Milton Friedman

For more than a half-century the U.S. has been the recognized world leader in medical care and medical research and development. But we are rapidly throwing it all away as we spiral ever downward into a "vampire economy"—an economy so overtaxed and overregulated that it is sucking the lifeblood out of its productive citizens.

I did not invent the vampire/government bureaucrat metaphor, but it is an apt one. Consider what we know from vampire movies. First, vampires don't prey on each other because they are bloodless. Similarly, bureaucrats don't prey on each other because the government produces nothing worth preying upon. Secondly, vampires don't go after the dead, who are bloodless. And bureaucrats don't go after people without assets.

Both vampires and bureaucrats attack only living, vibrant, warm-blooded productive people, and ultimately there are only two possible outcomes in these movies: Either the vampires take over everything, leaving a few remaining humans cowering in lighted spaces hoping not to be consumed, or, in the best scenario, the humans settle their petty differences, and organize to beat back the vampires into the Carpathian Mountains. If the humans win, they post warning signs: "Don't ever let these things out again. They are a threat to humanity!"

Unfortunately, bureaucrats, unlike vampires, can suck blood at a distance through the IRS and other agencies, so confining them inside the Beltway doesn't solve the problem. But, if we are to restore real quality to the practice of medicine in America, we must somehow diminish the size of government.

Prosperity Linked to Economic Freedom

Why has America become the most prosperous nation on earth? Is it our representative government? India too has a representative government but has long been mired in poverty from which it is only beginning to emerge. Is it our natural resources? Russia has abundant resources, but in 1991 the average Russian male had less meat in his diet than he did under the czars. How about population density? We are at the same population density as Zimbabwe—hardly an economic competitor.

No, as John Stossel points out in his new book, *No They Can't*, we built our great nation on the basis of economic freedom, equality under the law, and respect for private property—all of which we have sacrificed to the ideals of "equality of outcome" and the belief that a few smart people are better at managing the

complex system of human economic interaction than are all the human players acting in their own self-interest. Sadly, we are an America in decline.

The Disease of "American Decline"

Consider for a moment "American Decline" as a disease. As physicians, how do we treat disease? First we make a diagnosis, because dapsone for leprosy won't help if the diagnosis is dengue fever. And we don't do this by jumping to conclusions such as, "it's Bush's fault," "it's the war in Iraq," or "it's the laziness of the American people." We diagnose the problem by considering the symptoms and examining the signs.

Symptoms

The symptoms are easy to ascertain—decreased economic development, unemployment, underemployment, and escalating prices observed by everyone except those in charge of the consumer price index. Cleverly, gas prices and most food prices are excluded from the consumer price index, thus using the theory of the fat man in the novel *The House of God* who opined, "If you don't take a temperature, you can't find a fever."

All this has led to a decreased standard of living (shown for example by children who must move back in with their parents because their entry-level jobs won't support them) and ultimately a shrinking of the middle class.

Medically, we notice a shortage of physicians, escalating overhead with price fixing by the government, shortages of necessities, and increasing fear of prosecution. For the first time in my 30-plus years in medicine I have faced shortages of everyday and critical items—tetanus toxoid for trauma victims, Valium, anesthetic agents such as propofol and etomidate, and catheters for pain pumps—the list goes on.

The Examination

On examining our economy, a physician/economist would see a capitalist economy administered by a huge government bureaucracy that controls production through innumerable regulations and criminalization of violators.

At the inception of our nation, all federal laws were contained in what would be 11 pages if typewritten today—the Constitution. In 2012, we have more than 53 feet of the *Federal Register*, and are now adding on average 82,000 pages a year. There are nine pages just on the disposal of those new highly toxic curlicue light bulbs forced upon us by the "environmentalists." How can "ignorance of the law" not be an excuse?

The Department of Health and Human Services (HHS) is leading the charge with more than 140,000 pages of Medicare regulations and prosecution of doctors for "fraud." I used to think "fraud" was the New Jersey mob selling fake wheelchairs to fake patients (as it did at one time). But, no—"fraud" is your doctor choosing the wrong code from this immense digitized tome of ever-changing rules.

How many lawyers—even tax attorneys—are comfortable with the tax code that weighs in at a mere 82,000 pages? Yet every doctor in America must be in perfect command of the Medicare codes or he can lose his life's savings, and/or go to jail. Last year, the top five regulatory agencies adding new laws to the books were (in order of volume) Treasury, Commerce, Interior, Environmental Protection Agency (EPA), and Agriculture—adding a total of 1,733 new regulations. But if you consider only those regulations that carry more than a \$100 million impact on the economy, medicine is the industry leader by far. HHS added 23 economically disastrous rules; EPA, four; Treasury and Energy, three; Education, two; and Defense and all others, zero.

An economist clinician would also notice that government sustains economic life through borrowing and spending. In 1920, considering every dollar spent in America, 90 cents was spent privately, and 10 cents by government. In 1947, after we fought World War II on three fronts half a world away, supplied the Russians and the British with materiel for the war effort, and rebuilt Europe through the Marshall plan, only 20 cents of every dollar was spent by the government. Eighty percent was still spent by private individuals and corporations. Today, 49 cents of every dollar is spent by the government.

Another sign is that businesses are organized into cartels (a process known as syndicalism), some of which are favored over others by the government. We must support Goldman Sachs as too important to fail, but Lehman Brothers is allowed to collapse. When GM recalls some cars, there is virtually no public notice. When some Toyota cars have a problem, there is a huge government investigation and massive news coverage.

With corporations favored by government, corporate profit is held privately, but loss is shared among the taxpaying public. I made no money from AIG when it was rolling high—nor did I expect to, since I had not bought stock. But I also did not expect to bail out the company with my tax dollars when it began to fail. Yet every taxpayer shared that loss.

It appears that government acknowledges no restraint on its powers. The Supreme Court allows government to take private property from one individual and give it to another private individual (*Kelo v New London*); words have no meaning—people can be prosecuted for local in-state business activity under the "interstate" commerce clause (*Wickard v Filburn*); and money can be produced from thin air to buy off our debt and support the stock market (Quantitative Easing I, II, and III without end?).

People seem to believe that only the government can protect private individuals from the unscrupulous businessmen. Of course, before the Securities and Exchange Commission (SEC) and the cumbersome rules that prohibit many companies from offering public stock, there were small-time swindlers, but the

potential for fraud was limited when people were habitually skeptical. It took an age of major government oversight, a façade of "supervised investing," and a false sense of security to permit fraud on the scale of Enron and Bernie Madoff.

A physician/economist would observe that instead of espousing the traditional ideas associated with past prosperity—the need for hard work, good business plans, and sound economic principles, politicians promote feel-good notions like the need to "work together," move "forward," and "empower ourselves." Principles have been replaced by slogans.

The Diagnosis

So, after this history and physical of our national economy, let's call in the specialists—William Welk, formerly of Harvard,¹ F.A. Hayek of the London School of Economics,² and Llewellyn Rockwell of the Mises Institute³ to make the diagnosis. And (in our hypothetical consultation) they all agree—we have a classic fascist economy.

Fascism is a much-misunderstood term associated with jackbooted thugs in brown shirts. But fascism technically is an economic system comprised of public-private partnership, and characterized by vast regulations, violation of property rights, inflation, price controls, heavy taxation, and criminalization of certain business practices.

In his essay, "What is Fascism?", Rockwell defines fascism as follows: "Fascism is the system of government that cartelizes the private sector, centrally plans the economy to subsidize producers, exalts the police state as the source of order, denies fundamental rights and liberties to individuals, and makes the executive state the unlimited master of society."³ Sound familiar?

The question is, if this is indeed our economy, how do we in the business of medicine survive?

What History Teaches Us about Fascism

Guenther Reimann's 1938 book, *The Vampire Economy: Doing Business Under Fascism* should be a "must read" for all business people today. Fortunately, it is available online from the Mises Institute. The frontispiece of Reimann's book is a pictorial representation of what it took a car manufacturer to get 5,000 tires for his autos. After 6 months and numerous encounters with boards, chambers, secretaries, ministers, councils, and commissars, the company received 1,000 rubber tires and 4,000 ersatz tires, at a 200% increase in price.⁴ This is reminiscent of drug manufacturers and the U.S. Food and Drug Administration, although the time course for the Germans was only 6 months, not the 15-year delay resulting from FDA oversight.

When F.A. Hayek wrote *The Road to Serfdom* in 1944, 55 percent of the German economy was controlled by the government, and their military expenditure was 10 percent of their budget. Today in America it is estimated that 45 percent of our economy is controlled by the government, and our military consumes 21 percent of the national budget.

In a free market, the most important business departments are purchasing and sales. But these areas in a fascist economy

become secondary to the departments required to win government favor or protect the business from the government's heavy hand. Thus, in the last century, businesses expanded their legal departments, their "compliance" offices, and their public relations functions. Similarly today, our hospitals have physically expanded, but only in administrative areas—not in the real work of patient care.

Small companies banded together to protect themselves by hiring outside legal firms and lobbyists. The German and Italian companies hired former politicians to sit on their boards to help them weave their way through the government maze. They camouflaged private benefit as public good—e.g. Ferdinand Porsche stood to make a tidy profit from a small personal car that could be driven on the new Autobahn, but he flattered Hitler's völkische movement by dubbing it the Volkswagen and building it for the good of the German people. Today, hotels no longer change linens and towels daily, improving their bottom line, but claiming that they are saving the environment.

The Favored Class

As government expanded, its officials became a privileged group. Today, as a result of the Patient Protection and Affordable Care Act (PPACA or "ObamaCare"), many people are losing their company-based health insurance—but not those in government jobs. Nor can the banker garnishee government paychecks for failure to pay student loans. Once again government employees have become a favored class.

Moral Hazard of Taking Government Money

Initially, businesses in the European fascist economies fared quite well. Those that were struggling to come out of the 1929 depression were protected from failure by government bailouts. Government contracts paid companies well to produce products it wanted. But with the money came regulations. At first these were innocuous, and the money was good. But in time the regulations became onerous, and the true nature of the regimes became more apparent. By that time, turning down the money was financial suicide. The most famous case study was I. G. Farben, which was the world's largest conglomerate prior to World War II.

Dairmuid Jeffreys, in his book *Hell's Cartel*, tells the story of Degesch—a small company within the huge Farben chemical cartel. Before the war, Degesch made insecticides, including a little product called Zyklon B. By the late 1930s, Degesch received more and more government money as sales for Zyklon B picked up. By the end of the war in 1945, as investigators at Nuremberg discovered, 85 percent of the company's profits came from manufacture of Zyklon B. At first the company directors may not have known the use to which the Nazis were putting Zyklon B, but by 1944, when Otto Ambrose—a chemist and director on the Farben board—was tripping over dead slave workers at Auschwitz in order to take measurements for the new factory being built there, the directors of Degesch must have known that Zyklon B was being used as the odorless and rapidly lethal gas in the death chambers. They knew, but they took the money.

Consider today. Most U.S. hospitals obtain between 70 and 80 percent of their revenue from the government. So, as the new committees under the PPACA decide, for example, that Medicare will no longer pay to transport 85-year-olds to higher levels of care, what will these facilities do? And when the age limit for higher-level care is then reduced to 75, what will they do? What will they do if they must offer euthanasia to be in "compliance" with informed consent under Medicare? Will they do as Degesch should have done and say "no," possibly going bankrupt as a result? Or will they continue to take the money and swallow the rules, even when those rules mean denying care to or killing the most vulnerable members of our society?

Independence—the "Garlic Necklace"

To survive in a Vampire Economy, physicians, clinics, and hospitals must be very flexible. They must not be too dependent on any one product or procedure, because at a bureaucrat's whim the reimbursement could be stopped overnight. I tell medical students to become providers of necessities, not niceties, because if the current trend is not stopped, physicians will be treating hemorrhage but not alleviating pain and disability. Even being in a totally cash practice does not make one immune, as the products one needs become less available, and states bow to federal mandates in the regulation of private practice.

However, beyond survival as an industry, we must survive as a profession of principled healers. We must never put ourselves in such financial dependency on the government that we are willing to compromise Hippocratic principles of ethical patient care.

In European fascism, businessmen who could not compete in the new paradigm often gave up and joined the government, thus choosing the fascist principle of pragmatism over principle. Many doctors have been leaving practice to become regulators and inspectors, but it is time to reassess the result of that behavior.

The Third Reich was held together, not by storm troopers but by a few technocrats who kept industry running. Ninety percent of Auschwitz employees were secretaries and truck drivers and bakers—ordinary folk. And of course, doctors stood at the selection platforms, doctors checked the gas chambers, and doctors ran the euthanasia programs.

We are in a vampire economy. Without "ordinary" people, vampire economies cannot exist. Without doctors supplying the technical knowledge, the vast bureaucracy that is Medicare could not exist.

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