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RAHN: Penalized for success

Regulatory growth means business death

By: Richard Rahn - December 10, 2012

Last week, Christine Jacobs, the CEO of Theragenics Corp., a public company listed on the New York Stock Exchange that makes medical devices and is involved in cutting-edge cancer cures, wrote a letter to President Obama explaining why it was necessary to "begin moving our U.S. manufacturing to Costa Rica." The power players in Washington still do not get that many businesses are being forced to flee America or just plain shut down because it is no longer profitable or too risky to continue to do business in the historical home of entrepreneurial capitalism.

Businesses operating in the United States, and even businesses outside of the country that have a small nexus with the U.S., are going to be hit with a slew of expensive job- and growth-destroying taxes and regulations beginning the first of the new year, even if the "fiscal cliff" is avoided. Financial and securities regulations have become huge business- and job-killers. During the last six years, the United States has lost nearly 20 percent of its banks (7,401 banks in 2006 and now only 6,168), but during those same six years, the number of employees at the Federal Deposit Insurance Corp. — one of the bank insurance and regulatory agencies — has grown by about 70 percent, from 4,475 to 7,537, or more than one employee per bank. The FDIC is only one of many bank regulators. There were more than 26,000 banks in 1913 in the United States when the Federal Reserve, the primary bank regulator, was established, and now there are only one-fourth as many.

Theragenics makes "medical devices for prostate cancer, vascular access and wound closure." In her letter to Mr. Obama, Ms. Jacobs noted that her company has four factories in four states in the U.S., which employ 626 people. She stated: "In our 30-year history we have treated over 200,000 men for prostate cancer, and we have been proud of our workforce and proud to have treated so many dads, brothers and husbands for cancer. As a public company we have fallen prey to the heavy burden of being public with increased expenses associated with [Sarbanes Oxley] and now Dodd Frank." She also reminded the president that she had written to him back in 2009, when she stated, "We were paying about $8,000 per employee per year to be public and comply with the new Dodd Frank regulations. That money could be better spent on jobs and expansion."

Under Obamacare, there is a new tax specifically on the gross revenue of medical device manufacturers. Most people (outside of Washington) understand that if we tax something, we get less of it. A higher tax on medical device manufacturers means fewer and more expensive medical devices that save lives, and less research and development to develop new and better devices. As Ms. Jacobs explains: "Our products are for people with prostate cancer, heart disease, breast cancer and orthopedic knee or hip surgeries. Our 626 employees' futures are now uncertain. The cost of regulation, legislation and now the Device Tax have provided an atmosphere that is close to untenable."

Ms. Jacobs, who started out as a nurse with a passion for science, has headed Theragenics Corp. for the past two decades. She is a classic entrepreneur, an all-American woman, who likes to hunt, fish and go to the symphony. She serves on the boards of many civic institutions and other organizations. Now, having built a successful company that competes in the global marketplace, she is being forced by ignorant and misguided legislators and regulators to move operations outside of the United States. She concluded her letter to the president: "Our 30-year-old company has done all our country has asked of it and has been punished. I am immensely sad at this writing."

The Washington statists love to talk about how compassionate they are and how we need to "give" them more of our money and be regulated by their wisdom. In fact, they misspend our money every day to feather their own nests and curry favor with media sycophants. Most of those members of Congress who voted for the additional tax on medical device manufacturers did not do so to deliberately cause excess deaths and job losses. By failing to think through the consequences of their actions, however, they were engaged in "willful negligence," which is a felony when not committed by those in government. In this case, they were clearly engaged in the ultimate "fatal conceit" as described by the great economist and philosopher F.A. Hayek. America is stagnant because we are punishing and pushing out the Christine Jacobses and rewarding those who work in the regulatory and taxing agencies and their enablers. We ought to be doing the opposite.