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Where Economics Fails The Problem of Free Trade

By Paul Craig Roberts

This is the second of three parts.

Until recently, economists believed that the case for free trade was unassailable. Most economists still think that the case is secure, but the two necessary conditions for David Ricardo's 200-year-old theory are no longer present in the modern world. Moreover, the latest work in trade theory, *Global Trade and Conflicting National Interests* (MIT Press, 2000), by Ralph E. Gomory and William J. Baumol, shows that the case for free trade was incorrect from the beginning.

Let's begin with the original case for free trade. It is based on the principle of comparative advantage. This principle says that it pays two countries to specialize and to trade even if one country can produce all tradable goods at a lower cost than the other country. This conclusion follows from countries having different "opportunity costs" of producing tradable goods. The opportunity cost of any good is the other goods that could have been produced by the same resources.

Ricardo uses as examples wine and wool. Portugal can produce both wine and wool cheaper than England, but Portugal has to give up more bottles of wine to gain a yard of woolen cloth than England. Thus, Portugal has a comparative advantage in producing wine, and England has a comparative advantage in producing wool. If each country specializes where it has comparative advantage, the total production of wine and wool will be greater than if each country produced both products. "The gains from trade" result from sharing the increase in total output by trading the two com-

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Why Obama's Pick of Dr. Sanjay Gupta as Top Public Health Officer of the U.S. Government is Bad

By Vicente Navarro

President Obama has put forward the name of Dr. Sanjay Gupta, the well-known chief medical correspondent for CNN, for the position of surgeon general of the U.S. Public Health Service – the chief public health officer of the federal government. Dr. Gupta has received wide acclaim as the most important voice on medical matters in the U.S. broadcasting industry. And CNN has played an important role in developing and promulgating the U.S. establishment's conventional wisdom on what is happening in the country's medical care. Dr. Gupta has been a major force in the promotion of that wisdom.

It is important that, before discussing the appropriateness of President Obama's choice for surgeon general, I make a few points about the role of the mainstream media, including CNN, in the country's affairs, in particular, in its major international and domestic conflicts – that is, conflicts not only in, for example, Iraq and Vietnam, but also at home.

As we know, in the buildup to and conduct of the Iraq war, the mainstream media played a crucial role – supporting the invasion and occupation, and uncritically reproducing the Bush administration's justification for this intervention. The mainstream media considered it their primary role to promote the conventional wisdom on this war, and not to challenge or question it. Not until 4,226 Americans and 654,965 Iraqis had been killed did CNN and the other mainstream media start questioning President Bush's and the establishment's justifications for the Iraq War. And it is important to remember that, before reaching this point, CNN and the other mainstream media had consistently ignored,

marginalized, or ridiculed those voices that were explaining how the justifications for war had no credibility.

This series of events was nothing new. The same thing had happened with the Vietnam War. This reality on the role of the mainstream media is well known both in the U.S. and abroad. A primary function of the U.S. broadcasting industry is to reproduce the establishment's position on whatever conflict the country is involved in at the time. But not so well known is the mainstream media's (including CNN's) role in the wars at home.

There are types of war other than invasions and occupations abroad occurring right here, in the U.S.A., with deaths, casualties, and enormous suffering – wars taking place without producing a sound. One of them takes place on a daily basis. It is the war carried out by forces in the U.S. that, in defense of their interests, fight to prevent the establishment of one of the basic human rights: access to medical care in time of need – a right, found in all other developed countries but still denied to the citizenry of the U.S. sixty years after President Truman tried to establish it. As a consequence of this, many thousands of people die in the U.S. each year – from 18,000 to more than 100,000, depending on how one defines preventable death – due to lack of medical care. Even if we take the lower figure of 18,000 (given by the conservative Institute of Medicine), this is *six times* the number of people killed in the World Trade Center on 9/11. That event outraged the entire nation (as, indeed, it should), but the death toll due to lack of medical care seems to go unnoticed. These deaths are not reported on the front pages (or any other pages) of the

mainstream newspapers. These deaths are so much a part of everyday reality for millions of ordinary people in the U.S. that they are not even news. Nor are the facts that 102 million people have insufficient health care coverage, that 44 per cent of terminally ill patients worry about how they or their families are going to pay their medical bills, that the inability to pay medical bills is a primary cause of family bankruptcy in the U.S., and that more than 50 per cent of spending on health care by elderly Americans is still not covered by Medicare – the federal program that was supposed to alleviate the health-care-related worries, concerns and anxieties of our elders. None of these facts are news. Again, they are so much a part of everyday life that they are not considered newsworthy.

And there are many other, closely related facts that rarely appear in the news media. One such fact is that the insurance and pharmaceutical industries, among the most profitable industries in the U.S., are largely responsible for the scandalous situation of the medical care non-system. Besides the “military-industrial complex,” responsible for the Iraq and Vietnam wars, there is an “insurance-pharmaceutical industrial complex,” responsible for the war at home – an industrial complex that is

frequently behind the news programs that so rarely report on this war. The insurance and pharmaceutical industries are extremely profitable. In 2007, insurance company profits were \$12 billion and pharmaceutical industry profits \$40 billion, among the highest industry profits in the U.S. and in the world. And this insurance-pharmaceutical complex holds enormous economic, political and media power in our country. For example, the economic power of the pharmaceutical industry is used to create artificially high prices for its products. Just one example: Lanzoprasol, a widely used gastric-secretion-reducing medicine, costs \$329 in Baltimore, Maryland, but (for the same product, same dose) \$9 in Barcelona, Spain (yes, you read correctly: \$9).

How can this situation be tolerated? Because, in the U.S., economic power means political power, and political power is facilitated by privatization of the electoral process. These industries buy and influence the political process by donating money to leading politicians whose decisions affect their interests. According to the Center for Responsive Politics, the insurance industry contributed \$2,185,727 and the drug industry \$1,927,159 to the Obama campaign. The economic and political power of these industries could not be sustained or reproduced, however, without their media power, through their funding of medical and health news and programs in the broadcasting industry (including CNN) that promote their views.

All of this leads me to the Obama administration's choice to head the U.S. Public Health Service (USPHS). First, let me clarify what the USPHS is. This body (with 6,000 health professionals) is the federal agency in charge of the U.S. government institutions and programs responsible for taking care of the population's public health needs. It is also responsible for the federal research institutes, such as the National Institutes of Health. In addition, the Obama administration has decided that the head of the USPHS will play a leading role on the task force in charge of reforming the nation's health care.

The person chosen by President Obama to fill this position is Dr. Sanjay Gupta, a neurosurgeon at Emory Medical School in Atlanta and chief health correspondent for CNN. Dr. Gupta hosts a health program on CNN, sponsored by

the medical and pharmaceutical industries, that popularizes today's medical “miracles” and medical interventions. The program tends to focus on new technologies in clinical medicine and on preventing disease through changes in individual behavior. You are unlikely to see on this program any reports on the human tragedies caused by the nation's insurance-based health care non-system, or on the economic abuses of the pharmaceutical industry. The program is presented very smoothly and attractively by Dr. Gupta – described by *People* as one of the sexiest men in the U.S.A.

Gupta also hosts other medical-industry-sponsored TV programs and writes a column in *Time*. He also co-hosts Turner Private Network's monthly show *Accent Health*, which airs in doctors' offices around the country and is a major conduit for targeted ads from the pharmaceutical industry. And, according to Physicians for a National Health Program, in 2003 he downplayed the concerns of the medical community about Vioxx, which was removed from the market a year later by its manufacturer, Merck. Gupta lent support to John McCain's position that, in the U.S., buying private health insurance in the open market is a viable option for most Americans, which is profoundly inaccurate. For the vast majority of people who are without health benefits coverage, it is because they or their employers cannot afford to pay the premiums and costs involved.

On his CNN program, Gupta tried to discredit Michael Moore's documentary film *Sicko*, which is critical of the insurance-based U.S. health care system, by accusing Moore of presenting incorrect facts and manipulating data – strong accusations aimed at challenging Moore's credibility. The problem with Gupta's critique was that, as Paul Krugman noted, it was not Michael Moore but Sanjay Gupta who had his facts wrong and clearly manipulated the data and their presentation. Gupta gave erroneous figures on per capita expenditures and on health indicators in the U.S. and other countries (including Cuba), and he did not correctly identify one of the individuals on his program who was critical of Moore's documentary: Gupta presented him as an academic, but, in fact, he was a Republican consultant to the insurance industry.

And, equally worrisome, Gupta

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