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The Lying Double Standard

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Government officials get away with deceit the private sector doesn't tolerate

From the founding of the American republic, members of the political class have been caught lying about sex and, no doubt, sex scandals will continue, men (and women) being who they are. There often are demands that those involved resign - and sometimes they do because they are shamed or pushed. Most often, the real damage caused by lies about sex extend no further than to those directly involved, to their families and, at times, to their co-workers and colleagues.

Far more damaging are the financial, policy and legislative whoppers told by members of the administration and Congress that adversely affect almost every American. Corporate executives and directors are often forced to resign after making untrue statements about the businesses they oversee and are sometimes subject to both civil and criminal penalties, including jail. Many public officials who engage in far more damaging untruths are rarely forced to resign, let alone face civil and criminal penalties. Is it not time the double standard ended?

One untruth told by many members of the Obama administration, including the president, was that the monies projected from Obamacare/Medicare savings would be doing two different and contradictory things at the same time: shoring up the Medicare trust fund to protect its solvency and paying for Obamacare's extension of health care for 30 million uninsured. Health and Human Services Secretary Kathleen Sebelius finally was forced to admit before a congressional hearing a couple of months ago that the administration had indeed double-counted the same money. If the administration had been truthful about what it was doing before the vote on the health care bill - including the facts that it contained new taxes and would force many people to change their providers - it is unlikely that it would have passed, given the narrowness of the vote.

When corporate officials are caught double-counting, it is rightly considered financial fraud. What Mrs. Sebelius, other members of the administration and their congressional allies did was far more fraudulent and damaging than anything Bernard Madoff, the Enron crowd or Rep. Anthony D. Weiner did. Of course, Washington being Washington, Mrs. Sebelius can sleep well knowing that her Cabinet colleague Attorney General Eric H. Holder Jr. will never go after her.

The Internal Revenue Service (IRS) has long been a domain of the untruthful. Those who have savings accounts know all too well that they have been receiving painfully little in the way of interest because of Fed policies. Most people are receiving interest payments that are less than the rate of inflation; hence, they have a loss of capital. Nevertheless, the IRS insists that people pay income tax on this imaginary income. The 16th Amendment to the Constitution gave the federal government the right to impose an income tax, but not a wealth tax. If those with a savings account receive interest at less than the rate of inflation and pay the government tax only with the phony income out of the account, they eventually will find the account is almost worthless. Yet the IRS commissioner and his staff continue to demand that taxpayers pay tax on solely inflationary gains on both interest-bearing accounts and capital gains, calling it "income" when, by every economic and common usage of the term, it clearly is not. It is a big lie, which particularly hurts the elderly on fixed incomes and undermines the nation's capital stock. Even if IRS Commissioner Douglas H. Shulman claims he is just following precedent, that is no excuse for continuing an obvious wrong. (The precedent was established before inflation was persistent and thus is irrelevant.)

Fortunately, there are principled and ethical people in government who are brave enough to call out those who are not. We had an example last week. Nancy Nord, a truth-teller, wrote a letter to the Wall Street Journal replying to an article by administration regulatory czar Cass Sunstein. Ms. Nord wrote: "I read with interest Cass Sunstein's assertion that the federal agencies are working to eliminate excessively burdensome regulations. As a commissioner at the U.S. Consumer Product Safety Commission (CPSC), I can attest that no such activity has been happening in this agency. We certainly have not combed through our regulations to eliminate those that are 'out of date, unnecessary or excessively burdensome,' as he suggests is being done across the government. Instead, we are regulating at an unprecedented pace and have pretty much abandoned any efforts to weigh societal benefits from regulations with the costs imposed on the public."

Former Democratic Party Chairman Tim Kaine said last week that lying is "unacceptable" and that Mr. Weiner should resign. If lying about sex is unacceptable, shouldn't it also be unacceptable to lie about government financial statements, what is actually permitted by the Constitution and what one is really doing in government? Congress should let it be known that it will not fund agencies whose senior officials lie about important matters until they are removed from office.

People can have real differences of opinion about the effects of any proposed policy without lying. I expect that the administration really believed its rosy unemployment forecast stemming from the stimulus bill - that was not a lie, but a mistake in judgment. But some things clearly are lies - misrepresenting facts on financial statements, attempting to redefine words to avoid complying with the Constitution and commonly understood ethical standards, and making false claims about what one is doing. The rules that the Securities and Exchange Commission imposes on business executives should be imposed equally on officials in government, where the stakes are much higher.

A few high-profile removals for lying about important issues would send a message to all the others that such behavior is unacceptable and will no longer be tolerated.

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