

## DECLINING AMERICA

2008	2009	2010	2011	2012
Heritage Foundation Index of Economic Freedom				
#5	#6	#8	#9	#10
World Bank Ease of Doing Business Index				
#3	#4	#4	#4	#4
Transparency International Corruption Perceptions Index				
#18	#19	#22	#24	N/A
Reporters without Borders Press Freedom Index				
#36	#20	#20	#47	#47
World Economic Forum Global Competitiveness Index				
#1	#2	#2	#4	#5
Employed Civilian Labor Force (% of population)				
62.2	59.3	58.5	58.4	58.5 <sup>1</sup>
Real GDP per capita				
\$43,194	\$41,328	\$42,220	\$42,468	\$42,816 <sup>2</sup>

<sup>1</sup> January 2012

<sup>2</sup> Estimated

Sources: Heritage Foundation, World Bank, Transparency International, Reporters without Borders, World Economic Forum, Bureau of Labor Statistics, International Monetary Fund

THE WASHINGTON TIMES

## Intellectual and Policy Corruption

by Richard W. Rahn

### TEAM OBAMA REWARDS ITS FRIENDS, PUNISHES ITS FOES

Government corruption can take many forms. Last week, most of those forms could be seen in the actions of the Obama administration - everything from government officials taking simple bribes, to covering up wrongdoing, to using taxpayer money to pay off political supporters, to using government prosecutors to punish enemies, to failing to fulfill its fiduciary duty to citizens by not performing cost-benefit analyses before taking actions. Promulgating policies that knowingly hurt millions of people is far more serious than a government official requesting a cash bribe - as despicable as that may be. Pushing for tax increases without first getting rid of counterproductive or useless programs and cleaning up mismanagement is an example of policy corruption.

The results of the extensive moral, intellectual and policy corruption in the United States in recent years can be seen readily in the accompanying chart, which includes data from both right- and left-leaning organizations. According to the Heritage Foundation/Wall Street Journal measure of economic freedom, the United States has fallen from No. 6 to No. 10 since the end of the George W. Bush administration in 2009. The U.S. also has dropped rank in the ease of doing business, as measured by the World Bank, and in global competitiveness, as measured by the World Economic Forum.

The United States has dropped from No. 19 to No. 24 in Transparency International's corruption index over the past three years. Reporters Without Borders' index shows an enormous drop in press freedom in the U.S. over the past three years, from a ranking of No. 20 to a dreadful No. 47.

As a result of policy corruption, specifically failing to make sure government spending and regulations meet reasonable cost-benefit tests, employment and income growth have lagged, with most Americans reporting lower after-inflation adjusted incomes than four years ago.

The Obama administration seems to have little regard for the rule of law. In hearings before Congress last week, Attorney General Eric H. Holder Jr. continued his cover-up in the Fast and Furious guns-to-drug-dealers' scandal.

As you may recall, a couple of years ago, the Obama administration was giving grants to the Association of Community Organizations for Reform Now (ACORN). This organization was shown to be thoroughly corrupt, causing Congress to prohibit it from receiving grants. Now, the Justice Department is requiring the Bank of America, as part of its settlement for alleged "lending discrimination," to make large contributions to leftist groups that are not connected to the suit, including groups that are little more than renamed ACORNs. Other banks also are being pressured to make similar "settlements." These groups have close ties to Democrats.

At the same time, Justice is helping domestic wrongdoers who have ties to the Democratic Party and is attacking Wegelin, the oldest private bank in Switzerland, which has no U.S. presence and appears not to have violated Swiss law. The Justice Department indicted Wegelin last week, forcing a bank that has survived since 1741 to sell itself to a large German bank to protect its non-U.S. clients. Justice alleges that three of the bank's account executives encouraged Americans who had accounts with UBS in Switzerland to move their accounts to

Wegelin. If the department suspected that Americans were not paying taxes on the interest they received, it should have gone after the Americans rather than destroy a substantial bank that was complying with the laws of its country.

Americans who live abroad are already having great difficulty obtaining bank accounts in foreign countries because of regulatory overreach by the Internal Revenue Service and Treasury Department. Particularly after the Wegelin case, increasing numbers of foreign financial institutions will refuse to take any U.S. clients or invest in the United States because of the risk of inadvertently violating some U.S. laws and the costs of compliance.

Americans are justifiably enraged when occasionally a foreign government indicts U.S. citizens for violations of their laws even though the activity is legal and protected in the United States (such as selling bibles, criticizing foreign leaders, etc.). The U.S. government's hypocrisy in attacking foreign financial institutions - which abide by their own country's tax and privacy laws - is going to come back to bite Americans very hard. It will drive out of the country upward of \$1 trillion in foreign investment and tens of millions of jobs as well as make life much more difficult and risky for U.S. citizens who travel internationally.

The IRS and Justice have not made cost-benefit analyses for most of these existing and proposed international tax regulations. The regulations often violate the basic right of privacy. It is intellectual corruption when catching a few tax cheats is deemed more important than creating growth, opportunity and jobs for millions of people. You can identify some of the most intellectually corrupt in Congress, the media and the administration. They are the ones who are most vocal in railing against tax cheats yet fall strangely silent when the IRS cheats taxpayers by forcing them pay taxes on imaginary capital gains and interest because of government-caused inflation.

*Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.*

<http://www.washingtontimes.com/news/2012/feb/6/intellectual-and-policy-corruption/>

Copyright © 2012 The Washington Times LLC. All rights reserved.