



The wolves of Washington

by Richard W. Rahn

THE SHAMELESS POLITICAL CLASS RIVALS WALL STREET
FOR CORRUPTION AND EXPENSIVE CHICANERY

Are business people more corrupt than those in government? Hollywood loves to portray those in business as the baddies and those in government as the good guys. Exhibit A is the new movie, “The Wolf of Wall Street,” the largely true story of con man Jordan Belfort.

Belfort and his cronies formed a firm to sell stock in startup and small companies they knew little or nothing about. In order to sell the stock, they would make claims about the companies that they thought the potential buyers wanted to hear, whether the statements were true or not. If a company had been called “Obamacare,” they probably would have said it will give you “better health insurance” at “lower cost” and “you will be able to keep your doctor.” Belfort and some of his cronies quite properly went to prison for a couple of years and had to pay large fines for fraud and misrepresentation. President Obama, Department of Health and Human Services Secretary Kathleen Sebelius, others in the administration and members of the House and Senate made equally false claims about Obamacare. Mrs. Sebelius has also been accused of giving “false and misleading” testimony before the House Oversight and Government Reform Committee, which may be a felony.

Belfort and the others in his firm were charged with cheating innocent people out of several hundred million dollars — which caused many great pain. Despite the misrepresentation, Obamacare only passed Congress by one vote. That misrepresentation is likely to eventually cost American citizens not hundreds of millions, as in the Belfort scam, but hundreds of billions of dollars, and much greater collective pain.

Bernie Madoff will be in prison for the rest of his life for running the biggest private Ponzi scheme on record, which cost his investors some tens of billions of dollars. A Ponzi investment or insurance scheme depends on the ability of the promoters to get new participants to join up, and their funds are then used to make payments to a group of others who receive far more than they contributed. The scam depends on the new participants being duped or coerced to pay far more than they are likely to get back. In the case of Obamacare, young, healthy people are being coerced into paying far higher insurance rates than they would have to spend for the same coverage in a real private insurance market.

Government scams are nothing new, but as government has grown, those scams have become far more costly. The famous “stimulus” bill in 2009 was promoted as a means to regain full employment by spending money on “shovel-ready projects.” There were few, if any, shovel-ready projects, and the total number of Americans working is still below that of 2008.

It is well known that the government wastes colossal amounts of hard-earned taxpayer money. Mr. Obama promised in 2008 that he would “go through the budget line by line” to cut out waste — which, of course, he never did. Even official government reports acknowledge that fraud costs American taxpayers somewhere between \$250 billion and \$300 billion per year (Medicare and Medicaid account for about \$100 billion, the Defense Department another \$100 billion, and all of the rest of government another \$50 to \$100 billion). This does not count the hundreds of billions spent on counterproductive, wasteful and even unconstitutional projects and programs.

All presidential candidates claim they are going to halt or greatly reduce government waste, fraud and abuse, as do most candidates for Congress. It never happens, though. It continues because there are so many beneficiaries of the current system — including the financial supporters of the elected officials, and even the officials and their staffs. Many of them die rich, while never having worked in the private sector.

On Jan. 10, The New York Post reported: “The National Institutes of Health will spend \$224,863 to test 95 ‘custom-fitted’ condoms so every American man can choose the one that fits just right.” Taxpayer dollars did not need to be wasted on what the manufacturers already know, when the real problem is that the Food and Drug Administration, unlike the Europeans, has not approved the sale of alternative sizes.

The U.S. Attorney’s Office for the Eastern District of New York reports that it thinks Belfort has earned more than \$1 million for book royalties and movie rights (in which he portrayed himself as a having done despicable things). The Washington equivalent scam is to write laws and regulations that are so complex and opaque that only retired lawmakers and former government bureaucrats can understand them. These former government officials are then hired by businesses to “work with the bureaucracy” (use protection money) to ensure compliance with the vague requirements. For example, take the tax code — please (an old joke worth repeating).

Belfort is shameless, but so are all of those senators and congressmen who voted for Obamacare and also said you could “keep your doctor,” having never read the bill — and are now running for re-election on the promise “to protect you” and look out for your interests.

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