



A Global Trust Deficit

BY RICHARD W. RAHN

CONFIDENCE COLLAPSES FOR GOVERNMENT OFFICIALS WHO DODGE BLAME FOR MISTAKES

Why has the stock market been so volatile? In part, it can be explained by the global trust deficit.

Few trust the economic numbers coming out of China or the statements of the Chinese leaders. The statements coming from the Federal Reserve have been vague and ambiguous, and it is becoming increasingly difficult to trust that its leaders know what they are doing. The Obama administration has an incoherent fiscal policy, which has undermined trust in its economic management. Bernard Sanders and Hillary Rodham Clinton have talked about increasing taxes on the successful and more government spending, leaving a trust deficit as to what their economic policies would do. Donald Trump says we need to increase tariffs, seeming oblivious to the fact that a tariff is a tax on consumers and would make Americans worse off rather than better off. Despite Mr. Trump's other successes, such statements raise questions whether we can trust him when it comes to fiscal policy.

President Obama says we should trust the Iranians to do self-inspections and not to cheat on the nuclear deal. Hillary Rodham

Clinton says we should trust her when she tells us that she had only deleted personal emails from her private server and did not send or receive any classified emails. If we are expected to trust those in government, should not those in government trust us in the private sector?

I cannot think of anyone I know (who is not in government) that I would trust less than Mr. Obama and Mrs. Clinton. The reason I trust people in the private sector more than I trust people in government is that most often those in the private sector who lie, cheat and steal, or just make honest mistakes, can be held accountable, while those in the public sector who do the same often can get away with a simple, lame "I am sorry" at best.

When the folks at BP were involved in an unintentional oil spill, the company was fined \$54 billion, and the top executive, Tony Hayward, as well as many others in the company were, in essence, fired. When the Environmental Protection Administration (EPA) was involved in an unintentional spill, heavily polluting a river in Colorado with dangerous heavy metals a couple of weeks back, Gina McCarthy, EPA administrator, had nothing to say but "sorry." Ms. McCarthy also tells us to trust her that she is doing the right thing — by shutting down the coal industry, throwing tens of thousands of miners out of work and increasing electricity prices for most Americans in order to reduce global warming by three hundredths of a degree a century from now — as if that could even be measured with certainty.

Ms. McCarthy and the EPA abuse their trust when they fail to do proper cost-benefit analysis of their regulations, allow windmill operators to kill bald eagles but try to jail others who may accidentally kill an eagle, or unintentionally fill in a small wetland area. I would trust the EPA more if it had one-tenth of its current budget, with the requirement that it focus on the few real problems and stop writing unnecessary and destructive rules and harassing the American people.

I trust food and drug companies to provide products that will not harm me because I understand that the companies

know it is not good business to kill or hurt their customers. They also know that customers will sue them if they sell dangerous products. I do not trust the Food and Drug Administration because it often keeps needed and life-saving drugs off the market for many years in order to cover its bureaucratic behind.

The folks at the Internal Revenue Service tell us we can trust them with our sensitive financial information and that they will treat all of us with respect and without political favoritism. But the IRS has forfeited that trust — because it has both deliberately and carelessly revealed sensitive information on hundreds of thousands of taxpayers, and punished its critics. The IRS has also forfeited its trust by coming up with rules and regulations that are not even close to being justified on a cost-benefit basis. For instance, the new Foreign Account Tax Compliance Act has made it impossible for many Americans living abroad to get bank accounts, has driven hundreds of billions of dollars of foreign investment out of the country, and violates the Fourth Amendment to the Constitution — all in the name of collecting a few tax dollars from people who have undeclared foreign accounts.

The politicians and the bureaucrats want us to trust them to spend our money more wisely than we will ourselves. Yet waste, fraud, theft, mismanagement, misallocation and bureaucratic abuse continue unabated. Polls show that the American people have record-low trust in their government. As we enter the political season, it will be interesting to see who in the political class provides concrete proposals for re-establishing trust rather than the typical verbal snake oil.

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