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The Politics of Plunder

Washington Sacrifices Its Financial Rating To Feed The Sacred Cows

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Image via Wikipedia

Under the latest budget “compromise,” spending and borrowing will continue to rise. But who’s counting? Standard & Poor’s, unfortunately. Washington’s inability to implement a credible budget plan has lost Washington’s stellar financial rating.

The painful lesson of budget deals past is: never mind the official agreement. What will spending actually be? Higher and higher.

Even before the ink was dry on the accord, special interests were organizing to protect “their” share of the federal loot. For all the talk about the federal government protecting the poor and performing essential services, Washington is mostly about paying off those with the most power and influence.

There is virtually no person or activity that is not subsidized by Uncle Sam. Indeed, all of the biggest federal spending programs provide welfare, just not to poor people.

The biggest recipients of welfare are the middle class. Social Security and Medicare only incidentally address poverty. The biggest share of benefits goes to people who could provide for their own retirement and purchase their own health insurance.

Of course, most recipients mistakenly believe that the two programs are social insurance, paid for by the recipients’ contributions. In fact, the money collected is not invested; the systems’ so-called trust funds and personal accounts are accounting fictions. The Supreme Court has ruled that the government has no legal obligation to pay anyone anything.

Indeed, if the programs really were genuine social insurance, they would not threaten taxpayers with more than \$100 trillion in unfunded liabilities. In truth, the two are public Ponzi schemes. Unfortunately, with America’s aging population the good times are long over.

America’s military budget is largely foreign welfare—a form of foreign aid, if you like. The U.S. faces no significant security threats other than terrorism, which is best met through intelligence, Special Forces, diplomacy, and international cooperation. No other nation comes close to America in military might. America alone accounts for roughly half of the world’s military spending.

The biggest recipients of U.S. “defense aid” are Washington’s well-heeled European, Japanese, and South Korean allies. Rather than spend their own money on the military, they rely on U.S. taxpayers to pay the bill. It’s a great deal if you can get away with it—as they have for decades.

There’s also a lot of federal welfare for America’s well-heeled. About \$100 billion annually goes to corporate America. There’s money for research. There are programs for construction. There’s cash for advertising overseas. There are direct payments, like for farmers. And there’s everything else, such as loans and loan guarantees for all manner of commercial activities.

Finally, there is an entire parasitical business class that profits from government activity. The so-called Beltway Bandits, or consultants get much ink, and their prosperity depends upon the level of federal outlays.

However, you don’t have to be a consultant to benefit from federal activity. The famed “military-industrial complex” of which President Dwight Eisenhower spoke is almost

entirely a creature of federal defense procurement. The point is not that none of the weapons ordered at such great expense are needed. The point is that too many weapons are now funded by Congress to enrich particular companies. Defense has become another form of corporate welfare.

A lot more federal spending is intended to benefit narrow interests. Federal employees earn more than private sector workers with comparable duties. Government pensions create a major unfunded liability. Public employees routinely — and understandably — demand what is good for them, not for the public. And so it goes.

None of this has changed with the latest budget agreement. No Congress can bind future Congresses. Moreover, the agreement does not require meaningful cuts in the four largest programs: Social Security, Medicare, Medicaid, and the Pentagon.

Spending on every one must be slashed. Yet after the agreement passed Congress, [the New York Times](#) titled one article: “Jockeying Anew in Congress In Next Budget Fight Phase: A Panel in the Making, and a Swarm of Lobbyists.”

The budget accord creates a new “super-committee” to decide on reductions in future federal outlays. Noted the *Times*: “Lobbyists scrambled Wednesday to figure out how to influence the new panel to protect the programs and tax breaks from which they benefit. Military contractors and health care lobbyists were particularly active, as they have the most to fear.”

[The Washington Post](#) was similarly direct, entitling its article the same day “Defense, health-care lobbyists prepare to go on the offensive.” After all, there is at least a possibility that spending might be cut. Thus, reported the *Post*, “The arrangement has set off alarms among major defense contractors, hospital firms and others that would stand to lose billions if Congress doesn’t decide on a different plan.”

The taxpayers don’t matter. All the denizens of Washington care about is making someone else pay!

None of this should come as a surprise. As the *Times* put it: “Huge sums are at stake.” Special interests are swarming at the trough and there aren’t many people around to protect the taxpayers.

The lobbyists have special clout in part because so many are former legislators. [The New York Times](#) did a story on former Rep. Earl Pomeroy, a North Dakota Democrat defeated in 2010. Of course, he is not alone. Explained the *Times*: “By the middle of July, more than a quarter of the legislators who left Congress last year had taken positions with law firms, consulting firms, private companies or trade associations that lobby Congress.” And the number could be higher, since a third of former legislators had not disclosed what they now are doing.

Lawmakers turned lobbyists are operating within the law, but it's a highly incestuous process that victimizes the public. Until now, at least, the permanent government has out-manuevered any attempt to constrain it. There's no reason to expect anything to change in the future.

But the process continues because lobbyists aren't the only beneficiaries. Congress and the president spread money around the country, co-opting people who otherwise would never think of requesting a government hand-out. Consider the roughly \$800 billion stimulus bill, which was more to deliver endless pork for the usual suspects than to revive economic growth for everyone else.

Last year *Smart Money* magazine profiled 30-year-old Erin Blanton of Staunton, Virginia, tasked to help distribute \$200,000 in loot to aspiring entrepreneurs. Explained *Smart Money*: "She started her career doing sales and editing for an electronics retailer. More recently, she paired with her mom to launch Pufferbellies Toys & Books, a popular store downtown. Now she's helping her town identify entrepreneurs who deserve the funding to help them follow in her footsteps."

But aspiring entrepreneurs, no matter how talented, do not deserve forced taxpayer support. And Ms. Blanton, no matter how earnest, has no right to hand taxpayer money out to aspiring entrepreneurs. This program is vote-buying by Congress, dressed up as "economic stimulus."

The U.S. faces a fiscal crisis. The national debt now exceeds America's GDP. But the official obligations are just the start. There are more bail-outs to come: Fannie Mae and Freddie Mac continue to lose money, the Federal Housing Administration continues to increase its potential liabilities, and the Pension Benefit Guaranty Corporation will need more money to cover all of its obligations.

The federal government also will owe trillions of dollars in retirement benefits. Worse, there's that \$100 trillion-plus unfunded liability for Social Security and Medicare. And ObamaCare will add trillions of dollars more to the federal budget unless it is repealed or changed.

Despite this veritable tsunami of spending to come, the administration naturally argues that the market is wrong to drop Uncle Sam's rating. Trust us, Washington politicians say. But analysts have seen how this president and his congressional allies have dramatically increased spending even while talking about budget restraint. And how Republicans like to talk a good game about fiscal responsibility, while delivering ever more outlays, deficits, and debt.

The Standard & Poor's rate cut should provide a wake-up call to Americans. The nation's fiscal future is at risk. The sacred cows must be slaughtered; the public trough must be emptied; the special interests must be defeated. Only then will Washington deserve to have its triple A rating restored.

