



## Government Spending Is Money Poorly Spent

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Two blog posts from the Cato Institute today provide insight into how money that the government spends will, as a matter of course, be spent poorly.

First, there's [David Boaz on waste, fraud, and abuse](#). Everyone claims to be against waste, fraud, and abuse, and everyone pays lip service to designing programs to avoid that dreadful trifecta. Yet it keeps happening.

We're in the middle of \$6 trillion in new government spending in the aftermath of the Covid pandemic, and waste, fraud, and abuse abound. Boaz quotes from [a Washington Post article](#) that recounts stories of people using Covid relief funds to buy luxury cars, forging tax documents to obtain more money, and receiving payments through businesses that don't exist. The *Post* singles out the Small Business Administration, noting that "investigators have questioned nearly every aspect of its spending, flagging billions of dollars in suspect loans and grants, overpayments to those who should not have received them and in some cases outright fraud."

These aren't just a few people stealing a few bucks, either. "One effort meant to help businesses in economic distress may even be rife with identity theft, as watchdogs said they had received more than 845,000 applications for aid that are now suspected of having come from individuals using stolen identities, some of which were funded anyway," the *Post* reports. For the Paycheck Protection Program, "One report [from academics](#) at the University of Texas at Austin revised at the end of last year pegged the amount of questionable loans made under the program alone at closer to \$69 billion."

All this happened despite high levels of funding for inspectors general to oversee the programs. Boaz compares recent experience with the 2009 stimulus. "President Obama assured us in 2009 that Vice President Biden would be in charge of monitoring the spending in the stimulus bill and that 'nobody messes with Joe,'" he writes. "But that is not in fact a solution to the inevitability of waste and fraud when an unaccountable bureaucracy is spending trillions of other people's dollars."

Second, there's [Colin Grabow on the protectionist requirements built into the bipartisan infrastructure law](#). He writes that it takes the "Buy America" provisions common in many spending bills and takes them to another level. "Traditionally limited to transportation and water-

related projects,” he writes, the law “expands the spectrum of public works subject to such protectionism to include projects such as dams, buildings, and electrical transmission facilities.” Where requirements used to apply only to iron and steel, they “now include nonferrous metals (e.g., copper), plastic- and polymer-based products, glass (including optic glass), composite building materials, lumber, and drywall.”

The promise of the infrastructure law was a generational investment in lots of sorely needed projects; reality will be sclerosis as contractors present their materials for bureaucratic approval. They’re already running into problems. Grabow mentions letters from telecoms and water companies that tell the Biden administration they can’t carry out projects according to best practices while meeting the strict content requirements. The administration’s prized electric-vehicle charging stations will also have a hard time being built due to the domestic-content requirements, with state transportation officials writing to the Department of Transportation to say so.

Grabow writes that administration officials have the power to grant waivers and allow other materials to be used, but they don’t seem willing to do so. The administration required that waivers must be cleared by an office within the White House Office of Management and Budget, which is a higher bar to clear than in the past, when individual agencies considered waivers on their own. “Is this how America builds back better?” Grabow asks.

Both these posts illustrate why government spending backfires. Not only does government lack incentives to make sure money is well spent, it also has many incentives that encourage money to be spent poorly. Government faces no consequences for wasting money; in fact, it often wastes money on purpose to please interest groups. Members of Congress know that “Buy America” requirements lead to waste, but they also know which companies in their districts benefit from them, and that’s more important to their political support. And it all comes naturally when spending other people’s money.