



Rich: On Government “Waste”

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By [Howard Rich](#) || Generations of big-spending Republican politicians would have you believe that “waste, fraud and abuse” are the root causes of government’s deficit spending problem. Meanwhile generations of bigger-spending Democrats would have you believe that the problem of waste, fraud and abuse in government is overblown.

Both perspectives are flat-out wrong.

Waste, fraud and abuse are indeed rampant in government at all levels — but they are not the impetus of our nation’s present unsustainability. Unnecessary spending — or the refusal of government to confine itself to core functions — is what is driving our deficits through the stratosphere and future generations of taxpayers deeper in debt.

Of course it’s important to acknowledge that waste, fraud and abuse are symptomatic of a larger disease — government’s managerial inferiority. According to a [January 2012 study](#) from PwC (PricewaterhouseCoopers), government agencies are “increasing levels of economic crime and are particularly at risk from being defrauded by their own employees and their suppliers.”

Specifically, this report found that 46 percent of public sector survey respondents “experienced one or more incidents of economic crime in the last 12 months,” a figure that was up from 37 percent just three years earlier. By comparison, the current average across all sectors of the economy was 34 percent.

Those numbers makes sense. In the private sector there is constant pressure to identify and eliminate fraud — with failure to do so resulting in firms going bankrupt or missing out on opportunities to expand. In government, on the other hand, there is always a steady stream of tax dollars to count on — reducing the impetus to crack down on fraud.

“The top-down and bureaucratic Medicare and Medicaid systems are perfectly designed for scamming,” [writes Chris Edwards, Director of Tax Policy Studies at](#)

[The Cato Institute](#). “For example, the government processes 1.2 billion Medicare claims each year by computer, generally without human eyes checking them for accuracy.”

In Cato’s *Downsizing Government* report, Edwards conservatively estimated that fraud across the federal government costs taxpayers more than \$100 billion a year in 2009. Meanwhile, the Government Accountability Office (GAO) estimated that fraud in Medicaid and Medicare programs cost taxpayers \$70 billion in fiscal year 2010. Those are big numbers, but once again they pale in comparison to the costs of unnecessary government.

For example, if we were to do away with just one unnecessary federal agency – the U.S. Department of Education — we would match the amount of money saved by doing away with public sector health care fraud. And while fraud clearly isn’t limited to Medicare and Medicaid (it’s also rampant in federal programs that administer farm subsidies, student loans, unemployment benefits, “economic development” incentives and hundreds of other handouts), the Department of Education isn’t the only federal agency that needs to be scrapped.

By eliminating six other unnecessary government agencies – the U.S. Department of Housing and Urban Development (\$44.8 billion) Homeland Security (at least \$40 billion) Energy (\$27.2 billion) Agriculture (\$23 billion), Interior (\$11.5 billion) and Commerce (\$8 billion) — another \$154.5 billion in cuts could be achieved.

All told, that’s \$224.5 billion in cuts — more than twice the amount achieved by eliminating fraud throughout the broad expanse of federal government. And that’s just the low-hanging fruit, too. Hundreds of billions more could be eliminated via entitlement reform, repealing “Obamacare” and getting government out of the speculative investment business.

Given the dire fiscal straits in which the federal government has placed our nation, an “all hands on deck” approach to cutting government is required immediately. Unfortunately, Democrats led by Barack Obama continue to propose trillion-dollar deficits while Republicans tinker around the edges of the problem with their tired promises to cut “waste, fraud and abuse.”

While private sector companies must target resources productively to survive, there is no incentive for the public sector to weed out these cash-consuming cancers so long as each new fiscal year brings with it fresh increases in taxpayer funds. Waste, fraud and abuse will never drain our Treasury the way unnecessary bureaucracies and unsustainable entitlement programs do — however, these problems do reinforce government’s incompetence when it comes to performing functions that it was never authorized or intended to perform by our Founding Fathers.

They are also blunt reminders of the need to stop the unchecked expansion of government in this country — and to begin the process of dramatically scaling-back its size and scope.

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