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Slappin' Around the Dwarfs

Posted By [Richard C. Young](#) On March 11, 2011 @ 8:38 am In [Feature](#) | [Comments Disabled](#)



Yesterday, Matt, Debbie, and I met at our Naples office with [Cato Institute](#) chairman Bob Levy and cofounder and president Ed Crane. The goal was to increase our awareness of Cato's research efforts and discuss the vital Cato capital campaign. Following the meeting, we all participated in the first of Cato's Naples policy lunch briefing sessions. The inaugural Cato Naples briefing featured hard-hitting commentary on the budget from Chris Edwards and Richard W. Rahn. Chris is director of tax policy studies at Cato, and Richard is a senior

fellow. I had seen Chris on *The Glenn Beck Show* and remembered Richard from his time spent as chief economist for the U.S. Chamber of Commerce. To say that Chris and Richard had a different take on our budget finances than do the White House and Congress is an understatement. The lunch crowd came away from the presentation with a clear understanding of how the administration and Congress are leading us down the road to bankruptcy. The two words that leaped to my mind were "utter irresponsibility."

Chris handed out a chart pack that allowed attendees to fully grasp the urgency of the message. In the chart "Federal Spending by Department," the five largest expenditures are (1) defense at \$761 billion, (2) Social Security at \$742 billion, (3) Medicare at \$488 billion, (4) Medicaid at \$276 billion, and (5) net interest at \$207 billion. Below the big five trailed a raft of budget dwarfs.

Congress has come up with a nifty scheme to deal with the budget crisis. In a nutshell, the idea is to slap around the dwarfs a little and not go near the scary giants. Sound like a winner to you? It is clear to me, as it is apparently clear to the Cato analysts, that neither the administration nor Congress plans to address what I can assure you is a crisis. And here is the icing on the cake: net interest, which stands today at #5 on the spending list at \$207 billion, is set on an uphill trajectory that will balloon it into the biggest, most bloated beast of all.

Our Fed chairman, who informs us that he is 100% certain that he can keep inflation under control, assures us that he is *not printing the money*. The chairman has a neat way to measure inflation so as to pull the wool over your eyes. The little trick is to use an inflation index cooked up by the government. The fuzzy math game here is to neatly strip out all the big things that we, as a country, rely on daily, like, you know, food and gas. I kid you not. The CPI is a contrived price index that hardly reflects the country's most critical daily needs.

No, Americans are not fooled by the Fed's inflation charade. The Fed is not going to keep inflation under control, because inflation is already out of control. Were this not the case, gold would not be trading at over \$1,400 per ounce, and the USD would not have collapsed against the Swiss franc. Once the bond market wakes up to the inflation horror, interest rates will explode, and net interest, now giant #5 on the list of "Federal Spending by Departments," will begin the ultimate charge to the top slot. Meanwhile the administration and Congress are messing with the dwarfs?

The Cato Institute is simply the finest policy group in the country. Cato is not a political organization; rather, it is a think tank whose goal is in-depth research on topics all Americans care about. As a Cato benefactor, I am biased. But I am a benefactor because Cato is doing the job. It's as simple as that. I will continue to bring you findings from Cato, but I urge you to learn more about the Cato Institute and to consider joining my family and me as Cato members. The folk in Washington are continuing the sham, and you need not be in the dark.

Warm regards,

Dick

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