

The Washington Times

Government corruption on the rampage

The bureaucrats have exempted themselves from punishment for their malfeasance

By Richard Rahn

July 21, 2014

The Obama administration is arguably the most corrupt administration in U.S. history. Corruption destroys civil society and economic growth by undermining the rule of law and protection of private property. Corruption takes many forms, from the simple payment to a government official for a favor, to the failure of government employees to do what they are paid to do, to gross abuse of power.

The president and his senior officials swear to uphold the Constitution and the law — which means following the law as written, and not as they wish it were written. The failure to apply equal justice to all citizens is a major form of corruption and has been blatant in Attorney General Eric H. Holder Jr.'s "Justice Department." Crimes by members or friends of the administration are ignored — just consider the lack of action against employees of the Internal Revenue Service who obviously broke the law in many cases.

The Justice Department is involved in a \$100 billion shakedown racket against the big banks. The banks are heavily regulated and can easily be destroyed by government officials. This past week, Citibank agreed to pay \$7 billion to avoid formal charges of alleged wrongdoing by its officers. The fines largely go to the Justice Department and to outside groups that are friendly toward the administration, while little goes to those individuals who were allegedly harmed.

The Constitution is quite specific in that revenue measures are to begin in the House of Representatives and go through a congressional appropriation process. Yet the Justice Department and others have been able to greatly expand their budgets outside the legislative process by obtaining financial "settlements" from the private sector, through threats, intimidation and asset forfeiture. Bank settlements with the Justice Department now total something near \$100 billion. This is corruption on a massive scale. Again, banks have little alternative but to settle with the Justice Department in order to stay in business. John Allison, president of the Cato Institute and former CEO of the 10th-largest bank holding company in the United States, BB&T, has noted that many laws contradict each other, such as the Patriot Act and many of the financial-privacy laws and rules, thus making it impossible for a bank to be in compliance with both. Then the Justice Department comes in and says if you pay us X billion dollars, we will not prosecute you.

These fines on the banks are not cost-free. They are paid by the bank customers and stockholders, neither of whom had any involvement with any real or imaginary wrongdoing. It is interesting that the alleged wrongdoing at Citibank was largely in the activities of the bank that Jack Lew was responsible for at that time. (Mr. Lew is now President Obama's Treasury secretary.) If Mr. Lew was responsible for billions of dollars of wrongdoing at Citibank — as charged by the Justice Department — why is he not in jail?

The Department of Justice is also engaged in strong-arming banks not to do business with perfectly legal businesses they do not like, such as gun dealers, which is a denial of basic rights. As attorney general, Mr. Holder is in contempt of Congress for failure to turn over records to Congress, which he is obliged to do. He has also sent Justice officials out to harass critics of the Obama administration, ignoring the First Amendment. The real question should be: Why is Mr. Holder not in jail?

Regulatory officials are supposed to do cost-benefit analyses before promulgating major regulations, but most often they fail to do so — at least in a complete and competent manner. The failure of government agencies to do cost-benefit analyses cost consumers hundreds of billions of dollars each year in needless paperwork and unnecessary costs, and undermines the property rights of the regulated. If regulatory agency officials are not doing what they are legally required to do, why are they not in jail?

In the private sector, if you steal from your employer, you can be sent to jail. Yet day after day, we are treated to a never-ending list of misspending of taxpayer dollars by government employees. Those in government who waste or misspend funds for which they have a fiduciary responsibility are stealing from their employer — the American taxpayer. Why are they not in jail?

This massive corruption will continue until Congress reforms the civil service so that government employees are not treated as an exempt class from the rules that apply to everyone else. They should not be allowed to hide under the cloak of anonymity. Individual citizens, citizens groups and businesses should be able to bring suits against government employees for engaging in harmful misconduct, without the government standing in the way.

In the past, the corrupt in government stole perhaps as much as a few million dollars, but the current group is stealing hundreds of billions of dollars in extortion, neglect and mismanagement — which costs all Americans their property and liberty.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.