

RAHN: World's biggest financial fraudsters

Political operators get away with swindles that would land others in jail

By Richard Rahn

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Financial fraud is one or more intentional acts designed to deceive other people and cause them financial loss. Who is the world's greatest financial fraudster? [Bernie Madoff](#)? Not even close.

The unemployment rate just went up again to 9 percent, and the proportion of the adult population at work continues to fall. These dismal numbers are a result of slow economic growth, which is caused mainly by the world's biggest financial fraudster, who robs businesses and individuals of what is rightfully theirs. The world's biggest financial fraudster is not one person; it is a group composed of those politicians and government bureaucrats who, on a daily basis, ignore the consequences of their actions as they misuse hard-earned taxpayer funds to further their own political or personal agendas. We will call this fraudster the [TPP](#) (for thoughtless power-hungry politicians).

[TPP](#) members of [Congress](#) made promises to the American people that are impossible to keep. They have said, "Give us your money in Social Security and [Medicare](#) taxes, and we promise to give you a specified set of retirement benefits and medical care for the remainder of your lives." The money they took in for Social Security and [Medicare](#) was supposed to have been put in a trust fund - remember [Al Gore](#)'s famous "lock box" - but the money in the trust fund was spent way back in the [Johnson administration](#). All the money that has come in since for the "trust fund" has been spent by succeeding generations of politicians on their pet projects. Even the [U.S. government](#) admits that the outstanding liability for all of these promises is almost \$100 trillion (or approximately \$325,000 for every man, woman and child in the United States) and is increasing at \$10 trillion per year. One hundred trillion dollars is more than six times the U.S. gross domestic product. No matter how high tax rates go, this amount of money will be impossible to pay off.

A brilliant and courageous member of [Congress](#), [Paul Ryan](#), chairman of the [House Budget Committee](#), has blown the whistle on the [TPP](#) by speaking the truth about the misrepresentations that others have made about the budget and has had the audacity to come up with a real plan to fix it. But the [TPP](#) and their media allies are trying to quash the whistleblower because if he wins, the American people win and the [TPP](#) lose. If members of the [TPP](#) were in the private sector - denying the reality of how they are engaged in phony accounting and making false statements about the financial health of the company - they would be indicted, convicted and spending well-deserved time in jail.

The [TPP](#) have encouraged and enabled other branches of the [government](#) to engage in their own separate financial frauds. The [Internal Revenue Service](#) rips off American citizens by producing regulations that are so voluminous and complex that no human can understand them all, let alone comply. Yet the agency routinely fines taxpayers for violating these thousands of ever-changing and destructive rules. One of the [IRS'](#) biggest rackets is to force citizens to pay income taxes on capital gains that are solely caused by inflation. A change in the value of an asset because of inflation (caused by the [government](#)) is not income by any definition, but this does not stop the extortionists at the [IRS](#). Taxing imaginary income is clearly financial fraud and reduces investment, productivity growth and employment. But members of the [TPP](#) do not care.

The [Securities and Exchange Commission \(SEC\)](#) was set up to protect investors from fraud and ensure orderly markets. But through a process of excessive and unnecessarily costly regulation, not justified by serious cost-benefit analysis, the folks at the [SEC](#) are in the process of inadvertently closing down the capital markets and driving businesses to other countries. The number of companies going "public" in the United States dropped from 5,598 in the 1990s to just 1,650 during this past decade. Meanwhile, other jurisdictions have laid out the welcome mat for companies wishing to go public, so the United States is losing global market share of Initial Public Offerings (IPOs).

The number of listed companies on major U.S. exchanges is a little more than half of what it was 15 years ago. During the same time, the [SEC's](#) budget has increased fivefold, which has only served to benefit the [SEC](#) staff at the expense of the taxpayer, the job-seeker and the productive entrepreneur. The arrogant [TPP](#) bureaucrats at the [SEC](#) only allow less than 2 percent of the U.S. population (i.e., "accredited investors") to invest in new offerings without the company going through a very costly registration process. The remaining 98 percent of the population are deemed too stupid to know how to invest their own money.

Finally, [TPP](#) members have saddled the American taxpayer with another \$4 trillion in additional debt in just the past four years. This works out to about \$13,000 for every man, woman and child in the country. The citizens were promised a high-growth economy if they allowed [Congress](#) and the Obama administration to spend all of this money. Instead, they have been given persistent high unemployment, a falling dollar that makes the U.S. relatively poorer compared to the rest of the world and stagnant real incomes. Who will go to jail for this multitrillion-dollar financial fraud?

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