

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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Why Not Just Reinvent Typhoid?

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"So the summer went on and we all lived in it." * And now it's over. And fall will be in the air soon. And Congress will return. And Washington will pulsate once again with hypocrisy, bribery, extortion, theft, waste, and just plain dishonesty.

Washington is a cesspool. Taxpayer money is squandered, while cries go out for "more." This is not my opinion. The squanderers themselves recognize it. They laugh about it. Only the saps, the taxpayers back home, don't know it. Old frauds compete to be "King of Pork." And it's a big joke. Who won? Who managed to fund the most ridiculous project. "Oh no. You got federal funding for a rapid transit system, then had to get more money to build a shopping mall so the train would have some place to go? That's a riot."

Men who, by virtually any standard of justice, should be in jail are in high positions of power and prestige. And why not? Just a few short years ago several of their crooked predecessors were allowed to leave town just ahead of the sheriff. No questions asked, so to speak. Just leave. And today they have prestigious jobs in the private sector, while drawing big government pensions for their years of "service."

Thousand of dollars are reportedly stolen from the House Post Office. The most commonly heard defense of the accused is, "He probably didn't do it, why would he? Such a small amount?" The reference is to the fact that millions can be had legally, so why steal? The answer to the question is, of course, "why not?"

Washington is a place where the words "common sense" have become the butt of jokes by "insiders." "You're kidding," congressional staffers slyly say when some poor slob from "the real world" outside the beltway comes to town with a proposal that would make sense to even the most "intellectually challenged" six-year-old. Then everyone laughs. It's an inside joke in

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Washington that only hopelessly stupid people make reasonable suggestions. Everyone "on the inside" knows nothing can "really" be done.

"Change" is a big word in Washington today. Change for change sake alone is good in Washington because everyone runs scared when "change" is in the air. And people and businesses that run scared make campaign "contributions," and "soft money" payments to the parties, in hopes that the "change" won't destroy them. "Change" is a political fund raising tool. The health care industry, which is about to be "changed" by Washington can't write "contribution" checks fast enough. So, from the Washington standpoint, health care reform has already been successful.

"Tax reform" is one of the biggest fund raising tools of all. Conservatives argue that higher taxes won't bring more money into the government. And this may be true. But it is guaranteed that just the threat of higher taxes brings big money into the campaign chests of the legislators.

The 1986 "mother of all tax reform bills" put thousands of dollars into the coffers of the big shots in Congress, especially among the "leadership" and among members of the House Ways and Means Committee and the Senate Finance Committee. And this year's "tax reform" effort was no different. While members moaned daily to the media about the "pressure" they were under and the "hard work" they were doing, the money poured in from the "special interests" they purport to despise.

This money bought new "campaign cars" and new "campaign wardrobes," and "campaign banquets," and "campaign vacations," and God only knows what else. Ralph Nader reported last week that a study conducted by his "Congressional Accountability Project" found that House Ways and Means Committee Chairman Dan Rostenkowski (D., Ill.) spent, during the past two years, close to \$105,000 of his "campaign" funds for meals and catered food. These are "campaign" funds remember.

According to Nader, House Speaker Tom Foley (D., Wash.), during this period, spent almost \$42,000 of campaign funds and PAC money for meals, mostly with other House "leaders." The study noted that House Minority Leader Robert Michel spent \$58,000 of his campaign funds for golfing expenses. According to the *Washington Post*, Michel explained that these were golf outings "held to raise campaign funds." Bread onto the waters, so to speak.

Even the little guys clean up when "tax reform" is in the air. Common Cause reports that the 110 new members of the House--the "angry" newcomers, who ran against the "status quo" and wanted to "change" things when they arrived in Washington--collectively raised almost \$4 million from PACs during the first half of the 1993 alone. Eleven of these freshman congressmen received more than \$70,000 each from PACS during the period. One would hope that voters next time around will follow the wise words of King Solomon and "meddle not with them that are given to change."

It's a horror show that never ends. "Nightmare on Pennsylvania Avenue." Only in this flick, Freddie Kreuger is the hero, not the villain. And the curtain never goes down. And I, who watch

it for a living and am revolted by it all, can't help sometimes feeling like George Patton, as he surveyed the carnage after the Battle of the Bulge and said, "God how I love it." I admit it. It's fascinating. It's fascinating in the sense that it is fascinating to watch fire ants attack a wounded antelope on "The Learning Channel."

Washington has become a town where even the pretense that political promises mean something has evaporated. No one expects promisers to even acknowledge that they made promises any more, much less try to keep them. To suggest such a thing is to risk being labeled "naive," someone who "doesn't understand politics."

When George Stephanopoulos was asked about Clinton's string of broken promises, he argued that the White House had "become hostage to Lexis-Nexis," to "an excess of literalism," that other presidents did the same thing but that people in those days didn't remember what they had been promised because they didn't have the sophisticated data bases that are available today.

Say what? As Yogi Bera reportedly remarked when told that Dublin had elected a Jewish mayor, "Only in America." Perhaps in some database somewhere George could find Lincoln's pledge, "The world shall know that I will keep my faith to friends and enemies, come what will."

Evaporated too is even the pretense of choosing the "best person" for appointments to high government positions. Political appointments have become in many instances nothing more than "in your face" insults, aimed at political enemies.

If you don't believe this, wait until the Senate confirmation debate begins over the appointment of Morton Halperin to the Defense Department. Then look me in the eye, look anyone in the eye, and say honestly that Halperin is the "best person" Bill Clinton could have found for such a job. I doubt even Bill Clinton expects anyone to believe that. Even the pretense of excellence is gone. I won't discuss details of the Halperin appointment. It's a tragedy. You'll see.

It's no worse than it's ever been, you say? Well, you're entitled to your opinion. But I don't believe it. I think Washington is more corrupt, more dissipated, more wasteful and more cynical than ever. And it's not because of Clinton. He's a symptom. It's a function of size. As governments grow they become proportionally more corrupt, wasteful, and unresponsive. Read Gibbon if you don't believe me. Or study the ashes of the Soviet empire, the largest experiment with big government in history, and the most corrupt and most cynical.

Virtually no sector of the United States economy is unaffected anymore by Washington. Washington will disburse almost \$1.5 trillion this fiscal year, close to one-fourth of GDP. That's a big carcass. And it attracts a lot of flies. Outstanding federal credit and insurance guarantees will top \$7 trillion. That's trillion. That's power.

Washington now regulates virtually every enterprise in the nation. Thousands of lobbyists spend their lives "affecting" how these regulations are written. The nation's politicians and bureaucrats may not be more corrupt, cynical, stupid or wasteful than at any other time, and are certainly no more so than their counterparts anywhere else in world. But the opportunities for corruption, fraud and waste have grown exponentially with the growth in government.

The Department of Housing and Urban Development will spend \$26 billion this year; the Department of Education, \$30 billion; the Agriculture Department, \$67 billion; and the Department of Labor, \$43 billion. Does anyone, anywhere think this money is well spent? My friend Bob Feinberg says he once told Jack Kemp, when Kemp was at HUD, that he should go through the agency carefully and identify all those departments, bureaus and branches that had not yet become corrupt . . . and shut them down. "It's your only hope," Bob said. "Close them before they become corrupt." Bob says Kemp looked at him like a "wounded animal."

"Citizens Against Government Waste" last week released a 31-page report outlining 45 federal "management failures and other accidents waiting to happen." Space doesn't permit a comprehensive look at all 45 examples. But here's a sample.

- o As of September 30, 1990, roughly 70% of the \$20 billion direct loan portfolio outstanding under the Consolidated Farm and Rural Development Act was held by borrowers who were either delinquent or whose loans had to be restructured as a result of, or to avoid delinquency. From 1988 to 1989 alone, net losses totaled \$20.7 billion. In December, 1992, the staff of the Government Operations committee estimated that the next several years are expected to bring \$17.9 billion in additional losses.

- o The Government Operations committee claims that the \$23 billion Food Stamp program is losing \$1 billion annually because USDA can't stop cheating. Cumulative losses during 1988-1992 total about \$4 billion. Each year, millions of dollars in food stamps are traded illegally for weapons, drugs and stolen commodities.

- o At the National Weather Service, official estimates of the cost to deploy new systems by 1994 have risen from \$1.4 billion to \$4.2 billion.

- o The Department of Defense owns \$100 billion worth of spare and repair parts, clothing and medical supplies. According to the General Accounting Office, more than 40% of these items, worth more than \$40 billion, exceed DOD's inventory requirements. Why? One reason is that DOD does not know what it already has.

- o Despite spending millions of dollars to establish an "Information Resources Management" program, the Education Department, according to the Government Operations committee, "cannot track how well its program are doing, cannot identify its program needs and cannot answer basic questions about the Nation's education system."

And Al Gore wants to reinvent government? Why, one might ask, would anyone want to reinvent government? Why not reinvent typhoid? Gore says he plans to eliminate 252,000 government jobs. Yet in the budget battle just ended, his administration could find only one federal program it wanted to eliminate, the one that subsidizes bee keepers. And they failed to kill that one. Does it make sense to fire bureaucrats and leave the programs?

New York Senator Moynihan recently published an excellent article in the "American Scholar" entitled "Defining Deviancy Down." His premise was that street crime has become so endemic in most cities today that the nation is in a "state of denial" about the problem, that citizens now accept as normal behavior actions that once would have been considered outrageous.

Moynihan's article focused on street crime. But he could just as well have been talking about Congress. The corruption and graft of the savings and loan and the BCCI affairs make the Teapot Dome scandal of the Harding administration look like a tea party. And hardly a head rolled. "Just one of those things that happen in Washington," was the typical reaction. In Washington, deviancy has definitely been defined downward. And Congress has an advantage over normal crooks. Congress doesn't have to wait for the people to become inured by it all. It can declare deviant behavior legal. Call it "campaign reform," for example.

Or take nepotism. An article entitled "It's a Small Town After All," by Deborah Baldwin in the fall issue of Common Cause Magazine provides sickening details about the sons, daughters and wives of some of Washington's biggest big shots, who have big shot jobs themselves with lobbying organizations and law firms, which sell . . . you guessed it . . . "access" to big shots. Some very important names appear. It stinks. And it's legal. Big surprise.

Too cynical? Try this from a 1980 article in *Time Magazine*, a publication not known for being easily outraged by societal decay. "If anything," *Time* said, "the recent morality trials (involving the defenestering of Speaker Jim Wright and Majority Whip Tony Coelho) do not go nearly far enough. The real scandal in Congress is not what's illegal; it is what's legal; the blatant, shameless greasing of congressional palms that violates good sense, good taste and good government. Capitol Hill is polluted by money--campaign money, speech-giving money, outside money from investments, and money substitutes like all-expense-paid vacations and gifts." Pretty good, huh? For *Time* anyway.

I'm venting, I know it. And I'm not really telling you anything you didn't already know. I know that also. But a new season is upon Washington, and many "new initiatives" are on the table. And the air will soon be filled with sanctimonious clap trap about "programs" that must be passed "for the sake of the public," and all the "hard work" being done by Congress. So I just thought it would be a good time for a splash of reality. The message is, don't expect too much.

What can be done? Well, in my opinion, it isn't to reinvent government. Any fair analysis would have to conclude that government is a big part of the problem. And I think it could be argued, given the havoc created by government during the past 25 years or so, that a more efficient bureaucracy might be even more dangerous than the one we have. After all, what does Al Gore intend to do with the money he plans to "save"? More programs?

The bottom line is that Washington is trying to do something that can't be done: to micro manage a \$6 trillion economy. By committee, yet. While attempting to define and apply some abstract, every shifting standard of "fairness." While taking money from "special interests." Solomon couldn't do the first part, and Thomas Aquinas would have difficulty with the second. These clowns in congress don't have a chance.

By definition, therefore, their efforts are bound to be expensive and wasteful, and most assuredly to create and attract charlatans and crooks. I think it all boils down to Little Richard's admonition to Miss Anne, in the 1950's rock 'n roll hit by the same name. "Hey, hey, hey, Miss Anne. You're doing something no one can."

* Jack Burden, "All The King's Men."

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