Why America Gets Fleeced

by Melvin D. Barger

One of the occasional features on NBC Nightly News with Tom Brokaw is “The Fleecing of America,” a series of segments exposing cases of waste and fraud that victimize individuals or the general public.

Some of the examples are swindles or scams by private companies or individuals, and the obvious solution is to exercise more care in our investments and spending. At the same time, persons guilty of fraud and other criminal actions should be prosecuted.

The most glaring examples, however, seem to be government-funded projects that went wrong: $34 million for a global airpark in North Carolina; $85 million for a useless dam in Tennessee; sports stadiums around the country built with tax-exempt bonds; $2.4 billion that can’t be accounted for in the Bureau of Indian Affairs; and hundreds of millions lost in an international space venture. Few of these examples are actual cases of outright fraud, and yet they represent a huge waste of money.

Such shocking reports as Brokaw’s are in the journalistic tradition, of course, and are obvious efforts to compete with similar stories in newspapers and magazines. But there’s a major problem with these accounts of scandalous waste. The reports don’t usually explain why such things happen or what we can do to prevent them. There are even times when we’d probably rather not know about such losses if there’s nothing we can do to stop them.

So why does America get fleeced and what is the solution to this problem?

One thing to keep in mind is that the fleecing occurs before the ill-advised projects are undertaken. We are fleeced because we have already been set up as sheep to be sheared. We are already committed to a system that takes a large percentage of the taxpayers’ income for government use: federal, state, and local. At the federal level any shortfall in tax revenues can be covered by running deficits or through the inflationary practice of creating more money. This system has been in place for so long that a large number of people take for granted that significant portions of their incomes should be preempted this way. The system is so secure that even modest efforts to cut taxes are difficult to move through Congress.

Even if the system is designed to extract money from the taxpayers, however, why aren’t the funds used more efficiently? Why do we have many millions in useless projects that we would never consider as promising investments for our own savings? Aren’t we entitled to have our public funds used properly in ways that will maximize real benefit?

A major problem is that powerful people in Congress and private industry use their influence to get government funding for pro-

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jects that are beneficial for them. In reporting to their constituents, members of Congress like to boast of the money they’ve been able to bring to their districts. There is real competition to fund projects but no corresponding effort to assure that the funds are properly used. Private companies, with support of their unions and people in plant communities, will often use influence to advance government spending programs that benefit them.

Another problem is that federal funds are often looked at as money that will most likely be wasted by others unless one’s own area acts first. “If we don’t spend it, someone else will,” is a typical comment, usually made with a shrug. It follows that such funds don’t have to be used with a high degree of efficiency, as they would have been used even less efficiently by others.

And although most of us know federal funds come out of our own pockets, there’s still a belief that the government creates money out of thin air. There is no source of money in thin air, but creating money through the central bank makes it look that way. So why should anybody worry about money that’s free rather than the result of our own hard work?

Opportunity Costs Overlooked

We should also remind ourselves that we are being fleeced even when the projects are less scandalous than the ones featured by Mr. Brokaw. Projects are funded in specific communities and regions because the politicians and local people who campaign for them are more successful than others in selling their ideas. A powerful U.S. senator from one state can usually make a strong case not only for the federal funds his state receives but also for previous spending programs. What’s never explained is how the same money might have been better employed by the taxpayers who had to supply it. A project will be shown to create jobs, for example, but nobody points out that jobs are also created when individuals spend their own money.

Is there a solution to The Fleecing of America? There is one, but it’s not likely to get much support from Mr. Brokaw. The solution, at least for the federal part of it, is to limit government to its peacekeeping functions and get it out of projects that don’t support that purpose. Under this type of limited government, many of the ill-advised projects that upset Mr. Brokaw and his viewers would not have been funded in the first place. If there is a real need for them and they have a sound basis, private investors can always be found to do the job. Communities or private investors should use their own money to build facilities that are likely to enhance business and development in their own areas.

But don’t wait for Mr. Brokaw and other national media people to voice this view. Most of them believe the federal government should support such projects, even if many of them go wrong. The media folks obviously feel they are performing a vital public service simply by exposing waste and fraud in the country. Perhaps they believe that segments such as “The Fleecing of America” will bring better control over future spending programs. That’s unlikely. So in addition to being fleeced, we’re having the wool pulled over our eyes!