Americans Are Suckers For Ponzi Schemes

by Phyllis Schlafly October 10, 1996

The government has filed an 82-count indictment, carrying penalties of 907 years in prison and a $28 million fine, against the man who allegedly cheated donors to the Foundation for New Era Philanthropy out of $115 million. The difference between what New Era did and the classic Ponzi scheme is that the victims were some of the nation's savviest money-managers of philanthropic funds, including Dr. John M. Templeton Jr., Laurance Rockefeller, and investors for big universities.

New Era lured investments from its victims by promising they would be doubled by contributions from anonymous donors. There were no anonymous donors; those who reaped some returns were paid with money "invested" by new suckers. New Era finally went belly up.

I question whether there is any substantive difference between New Era's double-your-money deceit and the whole liberal tax-and-spend process, especially Medicare and Social Security. They are all schemes to pay current seniors generously (many times what they paid in) by imposing high taxes on younger workers who will never enjoy similar benefits.

Like New Era, and like every Ponzi fraud, the day of reckoning finally comes. It has already come for the social-welfare states of Europe (so long admired as models by U.S. liberals), and it is coming for Americans within a few years in Medicare, Social Security, and other entitlements.

Yet the entire campaign now being waged by Bill Clinton, by the unions' "non-political" television spots, and by Democratic Congressional candidates is one long vituperative harangue against all Republicans for daring to assert that government spending is out of control and that taxes must be cut. The con men of federal Ponzi schemes are painted as "compassionate" and their critics as "mean-spirited."

The "compassionate" pressure groups and media disdain Bob Dole's promised 15 percent tax cut because, they falsely assert, it is impossible to cut taxes even that small amount and balance the budget at the same time. Poppycock. His 15 percent tax cut will be just a down payment on recouping the money taxpayers lost under the Clinton tax increase and the infamous George Bush tax increase.

For an eye-witness look at the systemic corruption of the federal bureaucracy, I recommend an article

by Diane Ravitch in the current issue of The Key Reporter, the journal of Phi Beta Kappa. A scholar who was recruited to work in George Bush's Department of Education when Lamar Alexander was Secretary, her article tells what she learned from her federal experience.

Washington is a "dream factory" that feeds the fantasy that "intractable, deep-rooted problems and even psychological needs" can be solved by new federal programs. Federal programs that long ago outlived their usefulness continue to receive appropriations, year after year, protected by friends in Congress.

When she asked such questions as "why is the federal government doing this? Whom does it help?", she discovered that there is no evaluation of programs, no matter how many years they have been funded. She found that it is impossible to abolish or "zero out" useless or obsolete spending projects because every program has its own lobbyists and a cadre of grant recipients who move into action to assure that the funding flow continues.

Ravitch discovered that, while many career employees worked hard and effectively, there were also highly paid employees (in the $80,000 to $110,000 annual salary range) "who did nothing at all, ever, and it was impossible either to remove them or to get them to do any work."

When Congress in 1992 directed the Department of Education to award a five-year grant for $25 million to establish a mathematics and science education center, Ravitch discovered that there already was a federally funded center with that precise mission, plus $2 billion of annual math/science spending in 16 other agencies. However, that didn't stop the new appropriation.

Ravitch described her unpleasant experience when she made a decision not to approve a grant for a program that she thought wasn't worth its $6 million price tag. She was subjected to hostile investigations and accusations of "politicization," as well as the anger of Senators who expected the money to flow to their districts.

Bill Clinton is this week boasting that he forced Congress to vote billions more for "education." But Ravitch says that "all federal education programs are designed by lobbyists employed by education interest groups."

Ravitch concluded this revealing article by saying that she has learned "the value of turnover." The amount of power that is concentrated in the nation's capital is immense, she says, and only a regular rotation of newcomers with a fresh perspective, and an intention to go home someday, "can restrain the

permanent and insular political class that has made Washington its home."

Yes, Virginia, taxes can be cut 15 percent and the federal government downsized, but only if we have a President and a Congress with the will to do it.