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Federal Budget Shenanigans

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A new Senate report finds that the board of Enron closed its eyes to evidence the company was heading for financial disaster. It says claims by former directors that they were kept in the dark are untrue. In response, lawyers for the company disputed the findings. Washington attorney Robert Bennett, who is representing Enron, said, "I only wish the Congress would apply the same standards to their own conduct."

He has a point. We've noted on several occasions that Social Security is headed toward bankruptcy, and the federal government itself can't pass an audit. Sue Blevins of the Institute for Health Freedom has written a book on another government program that is severely in need of reform – Medicare, the health insurance program for the elderly and disabled. It will go bankrupt by 2015. Even though the program spends more than \$200 billion a year, most retirees are forced to buy supplemental insurance for services not covered by Medicare. Medicare offers no drug benefit and no coverage for many new technologies or basic preventive care.

During the presidential campaign, Al Gore called for tapping the growing budget surplus to quickly create a new Medicare prescription-drug benefit. That surplus is gone. Yet House Republicans want to offer some coverage for prescription drugs. The House Republican plan will reportedly cost \$350 billion over 10 years. The Democratic plan is estimated to cost somewhere between \$700 billion and \$800 billion over 10 years.

The Blevins book, *Medicare's Midlife Crisis*, says the program is going belly-up because of faulty projections and fraudulent accounting. In 1965, when the program was created by Congress, the government predicted the hospitalization part of Medicare would cost \$9 billion by 1990. The actual cost was \$66 billion. Reviewing the facts contained in Blevins' book, John Hood says Enron's accounting looks accurate by comparison.

The federal government doesn't even honor its contracts. A good example is the fate of the Klamath Oregon farmers, who have been denied the water rights they contracted for. In response to an environmentalist lawsuit, a federal district judge in San Francisco ruled that irrigation water vital for crops in the Klamath basin must be reserved to sustain water levels allegedly needed by suckerfish and coho salmon. The suckerfish was being protected under the Endangered Species Act.

Citizens for a Sound Economy points out that the federal government was responsible for making the water available in the first place. The Federal Bureau of Reclamation authorized the Klamath Project in 1905. Homesteaders – many of them veterans — were lured by the promise of well-irrigated land and economic opportunity. CSE says, "These settlers entered into a contract with the government, believing this would guarantee them access to water for the duration of their farms' existence." R.J. Smith of the Competitive Enterprise Institute says, "Many farmers had contracts with the government to receive water from the Bureau of Reclamation Project." This is the same federal government that now wants to clean up Enron and WorldCom.

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