

The Everyday Economics of Politics Everywhere

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Seymour Hersh's recent book *The Dark Side of Camelot* details just how corrupt John F. Kennedy really was. JFK, Mr. Hersh writes, was repeatedly unfaithful to his wife; he and his brother Bobby regularly lied and bullied to get their way; and his father, the old bootlegger Joe Kennedy, bought Jack's way to electoral victory. In the small but crucial West Virginia primary of 1960, for example, Mr. Hersh estimates that the Kennedys spent about \$2 million (or around \$9 million in today's dollars) on bribes to local sheriffs, who had a lot of say in the state's complicated ballot process. Kennedy's younger brothers Bobby and Ted were the bagmen, often paying as much as \$50,000 to individual sheriffs for their support. Many people say they are surprised by *The Dark Side of Camelot*. I'm not. For one thing, a lot of what's in Mr. Hersh's book has been well documented in other books and articles. But the main reason I'm not surprised is that the incentives of political systems are so perverse.

Sugar daddies

Imagine you're a congressman who sees that sugar plantations in Florida are destroying the Everglades. There's a clear solution to this problem, one that involves less government, not more: get rid of the restrictions on sugar imports that keep sugar prices in the United States at two to three times the level of world prices. With no restrictions on imports, the price of sugar in the United States would fall to world levels, and the artificial economic viability of producing sugar in Florida would disappear.

There's one problem. If you and your fellow congressmen and congresswomen vote against barriers to sugar imports, then a few thousand sugar producers--who stand to lose tens of thousands of dollars each--will withhold contributions to your campaigns and instead give them to your opponents. It's true that the loss to sugar consumers from higher prices is about \$2 billion a year, much more than the \$1 billion gain to domestic producers. But this loss is spread over 260 million sugar eaters, amounting to only about \$8 per person. If you vote to do the right thing, you won't get any thanks from consumers--they don't know that sugar imports are restricted and are very unlikely ever to learn that you voted to

end restrictions. What's a congressman to do? What they did do is keep the restrictions on sugar imports. Imagine this happening in a thousand different cases, and you have just explained most of what the U.S. government does and why it does it.

Almost everyone in politics who starts with strong principles soon learns that there is no obvious connection between doing the right thing and getting reelected. Truth is one of the very early casualties. An economist friend once told me about a free market economist at his college who was running for Congress. I called the man, and we had a nice talk; he sent me copies of his speeches and articles. In one speech, he took credit for the idea that the Federal Reserve's monetary policy was the cause of the Great Depression of the '30s. The credit really belongs to Milton Friedman and Anna J. Schwartz; the man lied. He is now a U.S. senator, has run for president, and will probably do so again.

Of course, most politicians start out simply wanting to be in the business and don't have strong principles to begin with. Bob Dole, for example, chose to be a Republican because he counted more Republicans than Democrats in his area of the country. One principled Republican friend of mine wondered why, in the 1996 debates with Bill Clinton, Mr. Dole missed so many golden opportunities to score points. "If I had been Dole," my friend recounted, "I would have said . . ." Here followed a passionate sound bite about the power of government vs. economic freedom. "No you wouldn't have," I responded, "because if you were Bob Dole, you would have developed a lifetime habit of thinking in terms of special interests. What you would have said wouldn't have occurred to Bob Dole in a million years."

Good as their word

But don't politicians have to care about their reputations? Isn't that a powerful incentive? Yes, in a very limited way. Politicians care a lot about whether they keep their agreements with fellow politicians and whether they keep their promises to the special interest groups that gave them money. That's about it. Mr. Hersh recounts, for example, Kennedy's genuine grief when, blackmailed by Lyndon Johnson, Kennedy chose Johnson as his running mate, thus breaking his promise to Senator W. Stuart Symington of Missouri that he would be selected. When I was a senior economist with Ronald Reagan's Council of Economic

Advisers, working to get rid of the ban on exporting Alaskan oil, a top aide of Vice President Bush's called to tell me that ending the ban would break a promise that Mr. Bush had made to a maritime workers' union during the 1980 campaign. The aide emphasized that the vice president didn't care about the issue's merits; all he cared about was keeping his promise. So there you have it. The principle that George Bush held most dear was staying bought.

Incentives are very different in the free market. The main way to do well there is to produce something that someone else is willing to pay for. General Motors, for example, despite all the talk about its economic power, can't make you spend a dime on its cars, lend it your money, or work for it without your consent. By contrast, even the lowest government official on the totem pole sometimes can threaten people with fines and prison sentences for not complying with his demands. General Motors becomes dangerous only when it gets involved with government. In the 1980s, for example, when GM wanted to build a luxury-car plant in Detroit's Poletown neighborhood, it got Mayor Coleman Young and the city to confiscate residential property and bulldoze people's homes so that GM could get the land cheap. GM had moved beyond persuasion to coercion.

The right lesson to take from the life of JFK is to acknowledge that those of his ilk are still around and that we should limit government power to restrict the damage they can do. Remember that politicians spend approximately 40 percent of our income and regulate what cars we buy, what drugs we have access to, where and how our kids are schooled, whom we can hire, and literally thousands of other decisions, big and small. Coercive power corrupts, and absolute coercive power corrupts absolutely.