

# CRONYISM

## How Washington Picks Winners and Losers

Modern-day cronyism is simple: Washington picks winners and losers—often through obscure tax provisions inserted in must-pass legislation, the award of no-bid contracts or through political favors that reward supportive constituencies.

Almost every major industry that comes in contact with the government or its officials has been affected and infected by cronyism, including the banking industry<sup>1</sup>, wildlife preservation and food safety<sup>2</sup>, military equipment and readiness<sup>3</sup> and energy investment<sup>4</sup>.

**"As conservatives, we hate crony capitalism. We need to do a better job as Republicans going after crony capitalism."**

House Speaker Paul Ryan (R-WI)<sup>14</sup>

### Examples of Cronyism

#### EXPORTING TAXPAYER DOLLARS

The Export-Import bank backed a \$117.5 million loan guarantee to support Boeing 737 purchases in Dubai, funneling taxpayer dollars into foreign investments. This undermines a free market as domestic companies compete against foreign firms bankrolled by taxpayers.<sup>5</sup>

#### FARM TO WALLET

Ten percent of the recipients of farm subsidies collect almost \$90,000 per farm. The bottom 80 percent of farmers collected only \$3,000 per farm. The subsidy program redistributes taxpayer dollars so the largest and most politically-active farms continue to collect the most subsidies.<sup>6</sup>

#### FLY-OVER FUNDRAISING

The \$400 billion F-35 fighter jet program has cost nearly twice the initial estimate and consistently missed delivery deadlines. The project supports 133,000 jobs across 45 states and more in nine other countries. In 2010, the Pentagon deemed the program "too big to fail" while the contractor, Lockheed Martin, recently agreed to pay millions to settle charges that it used government money illegally to lobby top federal officials.<sup>7</sup>

#### CATFISH CRONYISM

The \$14 million-a-year USDA Catfish Inspection Office exists to erect a trade barrier to protect a handful of catfish farmers from foreign competition by imposing unnecessary regulatory burdens on imports without any safety justifications.<sup>8</sup>

#### SOLAR SCAM

The \$535 million loan guarantee was fast-tracked by the Obama Administration to the politically-connected solar energy company Solyndra. Reports show the administration bypassed required steps in fully vetting the project.<sup>9</sup>

#### NOT SO SWEET

The domestic sugar industry is shielded from foreign competitors by government subsidies and tariffs. The direct cost to consumers is almost \$4 billion per year.<sup>10</sup>

#### CASH OVER QUALIFICATIONS

The continued practice of nominating campaign bundlers to ambassador positions, despite a lack of overall qualifications, highlights Washington's emphasis on favors over experience.<sup>11</sup>

Cronyism compromises both our economic and political marketplaces. Ideas and innovation should drive the economy, not government favors or political connections.

According to Gallup, 79 percent of Americans believe corruption is widespread throughout their government and country. Neither party is left unscathed.

## More expensive elections cause more cronyism

The way that elections are financed provides the fuel for Washington's cronyism as many interests vie to win the access and influence that produces valuable government largesse. And as the demand for campaign cash grows—election spending for congressional seats has increased four-fold since 1986<sup>12</sup>—candidates turn to businesses, unions and wealthy individuals to supply the funds needed to run their campaigns. Many of the sources of these funds have matters pending before Congress and the executive branch, creating inherent conflicts of interest between donors and the award of government handouts.

From 2008 to 2010, the system of tax breaks and subsidies in the country totaled \$222.7 billion, and more than 50 percent of the subsidies went to just four industries that were already the most profitable.<sup>13</sup> Government spending decisions should be made based on merit, not political favors meant to reward donors.

If government is going to be a better steward of taxpayer dollars and reduce the cronyism that affects every American, it is critical to reduce the demand for candidates to raise money from those interests doing business with the government.

**"When politicians are dependent on campaign money from contractors and lobbyists, they're incapable of holding spending programs to account."**

Richard Painter, President George W. Bush's chief ethics lawyer<sup>15</sup>

**"From farm subsidies to Medicare, regulatory policy to the tax code, and highway spending to corporate welfare, our government does violence to the public interest by rewarding the interest groups that lobby it aggressively. The total price tag every year extends into the tens of billions of dollars — and beyond."**

Jay Cost, writer for *The Weekly Standard*<sup>16</sup>

<sup>1</sup> National Review, <http://bit.ly/261XqhA>

<sup>2</sup> The New York Times, <http://nyti.ms/23gJAmf>

<sup>3</sup> Fiscal Times, <http://bit.ly/1rtDK2X>

<sup>4</sup> Washington Times, <http://bit.ly/10cag5m>

<sup>5</sup> CNBC, <http://cnb.cx/1W464pi>

<sup>6</sup> Committee For Economic Development, <http://bit.ly/1YxIFyn>

<sup>7</sup> Bloomberg, <http://bloom.bg/23gJr2c>

<sup>8</sup> Citizens Against Government Waste, <http://bit.ly/1XZKdBn>

<sup>9</sup> Washington Times, <http://bit.ly/10cag5m>

<sup>10</sup> Committee For Economic Development, <http://bit.ly/1YxIFyn>

<sup>11</sup> Center for Public Integrity, <http://bit.ly/1Ue2q7E>

<sup>12</sup> Vox, <http://bit.ly/1R4KESk>

<sup>13</sup> Harvard Business School, <http://hbs.me/1Ue1LmT>

<sup>14</sup> POLITICO, <http://politi.co/1UEvMM2>

<sup>15</sup> The New York Times, <http://nyti.ms/1SObvEA>

<sup>16</sup> National Review, <http://bit.ly/1sKbEBS>