



BY DAVID BOAZ

“When you lay out a picnic, you get ants. And today’s federal budget is the biggest picnic in history.”

Editorial Occupy Pennsylvania Avenue

The optimistic libertarian perspective on Occupy Wall Street is that the Occupiers are opposed to crony capitalism, corporatism, and special interests. They see big business and big government working hand-in-hand to bail out favored allies, and they don’t like it. And it turns out that the Tea Party dislikes the same thing. So is there potential for a cross-ideological alliance? Maybe. But the Occupy Wall Street fans need to redirect their protest. The center of the problem isn’t Wall Street; it’s Pennsylvania Avenue.

You want to stop crony capitalism, bailouts, and financial crises? Occupy Pennsylvania Avenue and demand a drastic reduction in size, scope, and power of the federal government. That’s what the special interests feed on. That’s where the tax money gets channeled to favored constituencies. That’s what gave us the housing bubble and the Solyndra boondoggle.

Put the government in charge of handing out money, we’re told, and the decisions will be made by highly trained, public-spirited economists or lawyers, irrespective of political considerations.

But the reality is that people are people. Government employees are just as self-interested as corporate employees. And therefore they are susceptible to political influence, persuasion by interested parties, outright bribes, and personal preferences.

The libertarian argument for keeping more of society in the private sector is not that there’s no self-interest or corruption in business; it is that the market system has more competition, more checks and balances, and more incentives to satisfy customers. You can make money in the private sector by cutting costs; government agencies that cut costs find their appropriations reduced. Businesses must constantly search for better ways to deliver goods and services lest customers move to their competitors. Government agencies are usually monopolies that forbid competition. With no owners seeking a profit on their investment, no financial reward for doing a good job, no penalty for wasting money, government employees have little incentive to deliver goods and services efficiently.

As Adam Smith suggested with his “invisible hand” metaphor, the competitive market system channels self-interest in a socially beneficial way—into the search for ways to attract customers—while the non-market system actually encourages pure self-interest.

And one aspect of that is lobbying. Big government means big lobbying. When you lay out a picnic, you get ants. And today’s federal budget is the biggest picnic in history.

Lobbyists love spending bills. They also love a complicated tax system with myriad rates and exemptions. And they especially love complex regulations, which generate demand for consultants who can navigate

the regulatory agencies. Just look at some of the lobbying stories from 2011: “Desperate to Stop AT&T [in Washington, not in the hearts and minds of consumers], Sprint Doubles Lobbying Spend.” “Google, facing an antitrust probe by federal authorities, boosted its lobbying expenditures.” “Goldman Sachs flexes its lobbying muscle.”

As Craig Holman of Public Citizen, an organization founded by Ralph Nader, told Marketplace Radio after a report on rising lobbying expenditures during the financial crisis, “the amount spent on lobbying . . . is related entirely to how much the federal government intervenes in the private economy.”

Marketplace’s Ronni Radbill noted then, “In other words, the more active the government, the more the private sector will spend to have its say. . . . With the White House injecting billions of dollars into the economy [in early 2009], lobbyists say interest groups are paying a lot more attention to Washington than they have in a very long time.”

Of course, this is not a new story. As I pointed out in the *Wall Street Journal* in 1983:

If more money can be made by investing in Washington than by drilling another oil well, money will be spent there.

Nobel laureate F. A. Hayek explained the process 40 years ago in his prophetic book *The Road to Serfdom*: “As the coercive power of the state will alone decide who is to have what, the only power worth having will be a share in the exercise of this directing power.”

Lobbying is one of the costs—not the worst cost, but certainly a galling one—of a government that is “generous and compassionate,” based on “a progressive vision of our society”; a government that “helps families find jobs at a decent wage, care they can afford, a retirement that is dignified”; a government that “directs help to the inspired and the effective,” that will “restore the security of working families” (as leading Democrats have said in various speeches).

If that’s the government you want, then lobbying is an inevitable adjunct. Let’s not forget that analysis from Craig Holman: “the amount spent on lobbying . . . is related entirely to how much the federal government intervenes in the private economy.”

If the Occupiers—and the rest of us—want less crony capitalism, we have to reduce the power of the federal government to hand out money, impose tariffs and regulations, and otherwise pick and choose favored businesses.