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How Washington power might corrupt Google

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Two news items from recent days are reminders about the dangers of mixing business and government. In 2017 Google outdid itself (and all other companies) in its efforts to influence Washington, spending more on lobbying than any other company that year. Meanwhile in Brazil, the largest-ever corruption investigation in Latin America's history has spread to 14 countries, due to bribes paid by Odebrecht, a Brazilian construction firm, in efforts to secure government contracts. What's already known is that Odebrecht paid $29 million to Peruvian officials in return for $12.5 billion in contracts.

These stories are very different. The United States is not Latin America, and Google is not Odebrecht. Nevertheless, they do have something in common. When a government has a lot of money and power, individuals, businesses and interest groups will expend their money and effort to get a piece of it — or simply to be left in peace.

Such aims couldn't be more different. Notably, much if not all of Google's lobbying is defensive. It wants to be left alone to innovate and serve consumers. It seeks to resist restrictions on immigration, excessive taxation, antitrust suits and regulation of its advertising. Odebrecht, on the other hand, seeks to get billion dollar government construction contracts, sometimes by bribing high-ranking officials.

But both firms may simply see these expenditures as the cost of doing business. Business people know that you have to invest to make money. Businesses invest in factories, labor, research and development, marketing and all the other processes that bring goods to consumers and, they hope, lead to profits. But businesses can also invest in political processes that may yield profits. If more money can be made by investing in Washington — or Brasilia or Lima — than by developing a new app or drilling another oil well, money will be spent there.

Money spent by politicians in Washington, as with most national capitals, is taken from the people who produced it all over America. Washington produces little real value on its own. National defense and courts are essential to our freedom and prosperity, but that's a small part of what the federal government does these days. Most federal activity involves taking money from some people, giving it to others and keeping a big chunk as a transaction fee.

Every business and interest group in society has an office in Washington devoted to getting some of the $4 trillion dollar federal budget for itself: senior citizens, farmers, veterans, teachers, social workers, oil companies, construction companies, labor unions, the military-industrial complex — you name it. The massive spending increases of the Bush-Obama years have created a lot of well-off people in Washington. Consulting and contracting exploded after 9/11. New regulatory burdens, notably from Obamacare, the Dodd-Frank financial regulation bill, are generating jobs in the lobbying and regulatory compliance business.

Walk down K Street, the heart of Washington's lobbying industry, and look at the directories in the office buildings. They're full of lobbyists and associations that are in Washington for one reason: because, as Willie Sutton said about why he robbed banks, "That's where the money is."

President George W. Bush increased annual federal spending by a trillion dollars, so it's no wonder that more money was spent on lobbying in 2008 than in any previous year. And then even more was spent in 2009, when President Obama pushed for a nearly trillion dollar "stimulus" bill and a health care overhaul. With a complicated tax reform bill, along with health care and threats to global trade, lobbying surged again in President Trump's first year.

Government contracts for construction, IT services, health care delivery, and the like are a particular target for lobbyists. I once got a pitch for a newsletter described as "Your bible for infrastructure spending—where the money is going and how to get your share."

And as the Odebrecht example illustrates, that's especially true in countries where government is an even bigger share of the economy. That's why Odebrecht had a whole department, the Structured Operations Division, dedicated to bribing politicians in Latin America. They spent $788 million on bribes. That was a good investment. According to a court filing, it generated $3.3 billion in profits. Cheap at twice the price!

But at what cost? Some companies benefit by manipulating the levers of power. By definition, that means other companies lose. If Odebrecht has to bribe politicians to get contracts, that suggests that other construction companies might deliver better service for less money, and Odebrecht needed to get an unfair advantage.

And even if a company such as Google starts out lobbying defensively, it can get sucked into Washington's parasite economy and start using its new lobbyists to game tax laws, tariffs, regulations and subsidies to get an edge on its competitors. And that's a real problem because the most important factor in America's economic future — in raising everyone's standard of living — is not land, money or computers; it's human talent. And when that talent is spent negotiating with the government for protection or for special favors, that's a loss for the people such talent really should serve: consumers.

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