



Life is good in the capital of crony capitalism

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In the wake of Apple CEO Steve Jobs's death -- and in the midst of the ongoing "Occupy Wall Street" protests--came an ominous report from Bloomberg News last week:

"Beltway Earnings Make U.S. Capital Richer Than Silicon Valley." According to the latest Census figures, Washington, D.C. is now the wealthiest metropolitan area in the United States.

That's good news for local property values, but I can't say it fills me with hometown pride. After all, Silicon Valley's wealth was earned -- just rewards voluntarily given for producing innovations that have dramatically improved our lives.

In contrast, D.C.'s prosperity reflects a parasite economy that batters on wealth created by others. We live in a vast, metastasizing tick of a city, swollen on the lifeblood it drains from the body politic. This is one race the home team deserved to lose.

As former Slate reporter Jack Shafer once put it, "Washington doesn't make anything except scandals." But its "regulatory powers, its executive orders, its judicial decisions, its ability to conjure money out of thin air, and its budget-making authority," give D.C. the ability to dictate "who can do business and how."

This city's wealth is largely based on what public choice economists call "rent-seeking," using the political process to rig the game in one's favor -- through subsidies, tariffs, regulatory advantages, and other benefits unavailable via free and fair competition.

"The rent-seeking is too damn high!" economist Alex Tabarrok quipped upon reading the Bloomberg report. True enough: spending on lobbyists set another record last year, at \$3.5 billion, according to the Center for Responsive Politics.

Other factors that allowed Washington to edge out San Jose, according to Bloomberg, include "federal employees whose compensation averages more than \$126,000," the burgeoning Military/Homeland-Security Industrial Complex, "the nation's greatest concentration of lawyers,"

and a glut of federal dollars that's kept regional unemployment three points lower than the national average.

Indeed, as the Wall Street Journal reported last year, the District and neighboring congressional districts in Maryland and Virginia soaked up over \$3.7 billion of President Obama's stimulus package--almost \$2,000 per resident, "nearly three times the national average."

To the extent the "Occupy" protests aimed at Wall Street and K Street have a common theme, it's concern about economic inequality. Given the Occupiers' complaints about "Crony Capitalism," though, this doesn't look like simple leftist resentment of the productive. But this "We are the 99 percent" business is far too pat.

As my former colleague Will Wilkinson argued in a 2009 Cato Institute Study entitled "Thinking Clearly about Economic Inequality," "at best, income inequality is a distraction." Wealth disparities are not, by themselves, some sort of automatic indicator of injustice.

Unequal wealth can be a just result of free and fair exchange, where talented Americans reap rewards from providing goods and services their fellow citizens greatly value -- as in the case of Steve Jobs--in which case, there's no injustice to remedy.

Or it can be the result of "predation by political elites," in which case, it's the predation that should be tackled directly, Wilkinson argues, so "the fire is the problem, not the alarm."

That the hometown of the political class has passed the home of the creative class in wealth and influence is genuine cause for alarm. Washington, D.C. is the capital of Crony Capitalism -- and it's only growing richer. That inequality is worth worrying about.