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Washington's Wealth Is About Changing Norms, Not Engaged Rich People

Timothy B. Lee, Contributor - 9/24/2012 @ 5:23PM

I find Matt's argument here that the growing affluence of DC can't be directly attributed to a more politicized economy pretty persuasive. While the size of the federal budget is larger today than it was in the 1970s, the economy is in some ways less heavily regulated, and in any event the amount of money spent influencing politics has been growing much, much faster than the growth of government power.

But I don't think his alternative explanation is quite right either. He focuses on ideological rich people giving money to think tanks and political campaigns, but my sense is that's not where the bulk of DC's money is coming from. SuperPACs get a lot of media coverage, but remember that they mostly spend their money on TV ads and get-out-the-vote campaigns in swing states. Only a minority of that money is going to end up in the hands of DC-based strategists and fundraisers.

I think the biggest factor behind growing spending in DC is the growth of lobbying—specifically the revolving door between government posts and the private sector. The number of people employed by K Street lobbying firms, trade associations, and corporate lobbying offices dwarfs the number of people employed by ideological think tanks like Cato, CAP, and Heritage, and they tend to pay better too. And while at least some think tanks are supported primarily by rich people who give for ideological reasons, lobbying firms and trade associations can appeal directly to the self-interest of their clients and members.

So I don't think the growing spending is driven primarily by increased interest in politics by rich people. Rather, I think it's driven by a change in norms that has made lobbying much more lucrative. Larry Lessig tells a story in his latest book about Sen. John Stennis (D-MS). He chaired the Armed Services Committee in 1982 when a colleague asked him to hold a fund-raiser that would be attended by defense contractors. Stennis reportedly responded "Would that be proper? I hold life and death over those companies. I don't think it would be proper for me to take money from them."

Lessig also reports that in the 1970s, 3 percent of retiring members of Congress went into lobbying. Between 1998 and 2004, almost half of members did so.

So Washington a half-century ago had much stronger norms against public officials becoming influence-peddlers. That meant lobbying firms had much less influence over the legislative process—both because fewer of them were former public officials and because many fewer people still in public office were contemplating second careers on K Street. As a result, lobbying firms couldn't offer their clients the same bang for the buck they can offer today, so special interest groups spent much less money on lobbyists.

Today, the best lobbying firms are headed by former members of Congress and staffed by former staffers from the Hill and regulatory agencies. These folks can credibly promise significant influence over the legislative process since they'll be lobbying their friends and former colleagues, many of whom will be angling for lobbying jobs in he future. And so clients have been opening their wallets.

Update: Thinking about this some more, another huge factor is more direct cronyism. For example, I'm told it's become fairly common for people to go to work for a defense or intelligence agency for a couple of years, get a security clearance, and then take a job at a defense contractor where she does the exact same job but makes two or three times as much money. I'm sure similar things happen elsewhere in government. Obviously, this also has a lot to do with norms, since a couple generations ago this kind of racket might have generated more outrage. Thanks to Ben Klaus for making this point.