

# Forbes

## **Sugar-Coated Capitalism Is No Free Market**

Malcolm Salter

November 16, 2015

During the last GOP debate, Senator Ted Cruz amplified the call for an end to sugar subsidies, joining Jeb Bush, Carly Fiorina and many others who have railed against the sugar industry's cozy relationship with policymakers through campaign contributions. Jeb Bush recently made headlines for his surprising new stance: No more subsidies for the sugar industry, calling for government support for the industry he has traditionally backed to be "phased out." Critics are intensifying efforts to take on the type of "crony capitalism" that has benefited the sugar industry. Just last Friday, the Wall Street Journal ran an editorial critiquing Marco Rubio for upholding the subsidy, likely falling prey to the influence of domestic sugar producer Florida Crystals, one of his largest campaign contributors.

Besides Cruz, Bush, Fiorina and the Wall Street Journal editorial board, Charles Koch—the billionaire industrialist and funder of conservative causes—and Grover Norquist have also spoken out recently against what they call corporate welfare.

Crony capitalism epitomizes everything wrong with the federal government. Using campaign contributions, heavy lobbying of Congress and regulatory agencies and taking advantage of the revolving door between government and business, these rent seekers win unfair, but legal, advantages in the marketplace through subsidies, beneficial regulations, targeted exemptions from legislation and other forms of preferential treatment from the government.

A recent survey from the Committee for Economic Development reveals 94% of senior officers polled at major U.S. companies agreed that the way our nation conducts business definitely or probably leads politicians to cast votes to please special interests rather than voters. Seventy-two percent agree that this system is likely distorting our markets by adding political calculations to business decisions.

Sugar companies' PAC donations exceed those of all other U.S. crop producers combined

Critics are right to decry the sugar industry and its uncomfortably symbiotic relationship with Capitol Hill. In the heavily lobbied Farm Bill of 2008, Congress increased price supports for sugar producers while reducing supports for producers of all other crops, guaranteeing the price that the government would pay for sugar if producers couldn't profitably sell it at market prices. U.S. growers are also protected by import duties and restrictions, most of which survived the 2015 Trans-Pacific Partnership trade agreement.

How have these supports for sugar producers lasted so long? The answer is political influence. Sugar production accounts for only 1.9% of the value of all U.S. crop production, but sugar companies' PAC donations exceed those of all other U.S. crop producers combined. In 2013, the sugar industry spent \$9 million on lobbying. The industry contributed more than \$5 million to congressional candidates in 2012. Meanwhile, consumers pay 64-92% above world prices for sugar, and the tax-paying public gives \$3.7 billion to the sugar industry annually.

While campaign contributions appear to be effective for "purchasing" business-friendly policies, it is often difficult to determine precisely how specific campaign contributions influence specific public policies or pieces of legislation. But one thing is clear: The sums flowing from the business sector into the campaigns of congressional candidates from both parties are huge and growing.

#### The costs of crony capitalism

The costs of crony capitalism are significant. While they are difficult to calculate, there are some ways to examine these costs. From 2008 to 2010—during our steepest recession in more than 50 years—tax breaks and subsidies for business totaled \$222.7 billion. An analysis by the Cato Institute shows that the federal government spends almost \$100 billion annually on subsidies to business interests.

Other costs—including diminished public trust and lower GNP growth because favored firms make fewer risky investments—defy quantification, although they are among the most important costs of cronyism.

If he's serious about tackling corruption, Bush should take a stronger stance against crony capitalism and advocate for a suite of solutions implemented to slay this multi-headed Hydra.

#### Strengthen the power of small-dollar donors

First, we must dramatically revamp our lobbying and ethics laws so everyone plays by the same common-sense rules. Some advocates at the state level have successfully banned registered lobbyists from contributing to campaigns; this helps sever the reliance candidates have on business interests to fund their campaigns, which sows conflicts of interest and creates the potential for corruption. Other states have strong ethics rules which prevent politicians from

taking contributions from the interests they regulate. This slows the spin of the revolving door so elected officials are focused on the job they have, not the job they want.

While these are positive steps, the cancer of crony capitalism cannot be effectively arrested without fundamentally changing the way this country finances campaigns. As long as candidates raise the majority of their funds from wealthy donors and top business interests, their policy needs will continue to count more than the needs of the American people.

Instead, governments at all levels should strengthen the power of small-dollar donors by implementing citizen funding programs. In Connecticut's clean elections program, qualifying candidates are provided with full funding; in New York City, donations under a certain amount are matched six to one, dramatically increasing the value of low-dollar contributions. Whatever the model, these systems allow politicians to raise the money they need to run competitive campaigns while still retaining fealty to their constituents.

True proponents of free markets, take note

Maryland Representative John Sarbanes has introduced a bill in Congress, the Government by the People Act (H.R. 20) that would create such a system for federal candidates. But a lack of bipartisan support and the general dysfunction that has come to characterize business as usual in Washington has left the future of H.R. 20 uncertain. Any politician, Republican or Democrat, who is serious about curbing crony capitalism should support citizen funding.

Bush, Koch and all other proponents of truly free markets have correctly diagnosed a symptom of a greater problem. Crony capitalists must be stopped, but it will take more than just ending sugar subsidies. Without treating the true malignancy—special interest influence on our politics—our economy will continue to be one that rewards the deepest pockets, not the best ideas nor the most efficient operators. The failure of reform-oriented initiatives to gain momentum will perpetuate crony capitalism and prove fatal to U.S. democracy. This should please neither the progressive Left nor the conservative Right.