

# People's Pundit Daily

## Trump, Big Government, the Export-Import Bank, and the Washington Swamp

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I've written many times that Washington is both a corrupt city and a corrupting city. My point is that decent people go into government and all too often wind up losing their ethical values as they learn to "play the game."

I often joke that these are people who start out thinking Washington is a cesspool but eventually decide it's a hot tub.

During the presidential campaign, Trump said he wanted to "drain the swamp," which is similar to my cesspool example. My concern is that El Presidente may not understand (or perhaps not even care) that shrinking the size and scope of government is the only effective way to reduce Washington corruption.

In any event, we're soon going to get a very strong sign about whether Trump was serious. With Republicans on Capitol Hill divided on how to deal with this cronyist institution, Trump basically has the tie-breaking vote on the issue.

In other words, he has the power to shut down this geyser of corporate welfare. But will he?

According to Susan Ferrechio of the *Washington Examiner*, Trump may choose to wallow in the swamp rather than drain it.

President Trump now may be in favor of the Export-Import Bank, according to Republican lawmakers who met with him privately Thursday, even though Trump once condemned the bank as corporate welfare.

Veronique de Rugy of the Mercatus Center is one on the Ex-Im Bank's most tenacious opponents, and she's very worried.

...if the reports are true that Trump has decided to support the restoration of the crony Export-Import Bank's full lending authority, it would be akin to the president deciding to instead happily bathe in the swamp and gargle the muck. If true, the news is only "great" for Boeing, GE, and the other major recipients of Ex-Im's corporate welfare. It is also at odds with his campaign

promises since much of the way the program works is that it gives cheap loans — backed by Americans all over the country — to foreign companies in China, Russia, Saudi Arabia, and the UAE. Restoring Ex-Im’s full lending-authority powers is renewing the policy to give cheap loans backed by workers in the Rust Belt to companies like Ryanair (\$4 billion in guarantee loans over ten years) and Emirates Airlines (\$3.9 billion over ten years) so they can have a large competitive advantage over U.S. domestic airlines like Delta and United. It continued to subsidize the large and prosperous state-owned Mexican oil company PEMEX (\$9.7 billion over ten years). Seriously? That’s president Trump’s vision of draining the swamp?

Ugh. It will be very disappointing if Trump chooses corporate welfare over taxpayers.

What presumably matters most, though, is whether a bad decision on the Ex-Im Bank is a deviation or a harbinger of four years of cronyism.

In other words, when the dust settles, will the net effect of Trump’s policies be a bigger swamp or smaller swamp?

The *New York Times* opined that Trump is basically replacing one set of insiders with another set of insiders, which implies a bigger swamp.

Mr. Trump may be out to challenge one establishment — the liberal elite — but he is installing one of his own, filled with tycoons, Wall Street heavyweights, cronies and a new rank of shadowy wealthy “advisers” unaccountable to anyone but him. ...Take first the Goldman Sachs crowd. The Trump campaign lambasted global financiers, led by Goldman, as having “robbed our working class,” but here come two of the alleged miscreants: Gary Cohn, Goldman’s president, named to lead the National Economic Council, and Steven Mnuchin, named as Treasury secretary. ...Standing in the rain during Mr. Trump’s inaugural speech, farmers and factory workers, truckers, nurses and housekeepers greeted his anti-establishment words by cheering “Drain the Swamp!” even as the new president was standing knee-deep in a swamp of his own.

I’m skeptical of Trump, and I’m waiting to see whether Gary Cohn and Steven Mnuchin will be friends for taxpayers, so I’m far from a cheerleader for the current administration.

But I also think the *New York Times* is jumping the gun.

Maybe Trump will be a swamp-wallowing cronyist, but we don’t yet have enough evidence (though a bad decision on Ex-Im certainly would be a very bad omen).

Here’s another potential indicator of what may happen to the swamp under Trump’s reign.

*Bloomberg* reports that two former Trump campaign officials, Corey Lewandowski and Barry Bennett have cashed in by setting up a lobbying firm to take advantage of their connections.

The arrival of a new president typically means a gold rush for Washington lobbyists as companies, foreign governments, and interest groups scramble for access and influence in the administration. Trump’s arrival promises to be different—at least according to Trump. Throughout the campaign, he lambasted the capital as a den of insider corruption and repeatedly

vowed to “drain the swamp,” a phrase second only in the Trump lexicon to “make America great again.” ... Trump’s well-advertised disdain for lobbying might seem to augur poorly for a firm seeking to peddle influence. ... “Business,” Lewandowski says, “has been very, very good.”

This rubs me the wrong way. I don’t want lobbyists to get rich.

But, to be fair, not all lobbying is bad. Many industries hire “representation” because they want to protect themselves from taxes and regulation. And they have a constitutional right to “petition” the government and contribute money, so I definitely don’t want to criminalize lobbying.

But as I’ve said over and over again, I’d like a much smaller government so that interest groups don’t have an incentive to do either the right kind of lobbying (self-protection) or the wrong kind of lobbying (seeking to obtain unearned wealth via the coercive power of government).

Here’s one final story about the oleaginous nature of Washington.

Wells Fargo is giving a big payout to Elaine Chao, the new Secretary of Transportation.

Chao, who joined Wells Fargo as a board member in 2011, has collected deferred stock options — a compensation perk generally designed as a long-term retention strategy — that she would not be able to cash out if she left the firm to work for a competitor. Her financial disclosure notes that she will receive a “cash payout for my deferred stock compensation” upon confirmation as Secretary of Transportation. The document discloses that the payments will continue throughout her time in government, if she is confirmed. The payouts will begin in July 2017 and continue yearly through 2021. But Wells Fargo, like several banks and defense contractors, provides a special clause in its standard executive employment contract that offers flexibility for awarding compensation if executives leave the bank to enter “government service.” Such clauses, critics say, are structured to incentivize the so-called “reverse revolving door” of private sector officials burrowing into government. ... Golden parachutes for executives leaving firms to enter government dogged several Obama administration officials. Jack Lew, upon leaving Citigroup to join the Obama administration in 2009, was given a cash payout as part of his incentive and retention awards that wouldn’t have been paid if he had left the firm to join a competitor or under ordinary circumstances. But Lew’s Citigroup contract stipulated that there was an exception for leaving to work in a “full time high level position with the U.S. government or regulatory body.” Goldman Sachs, Morgan Stanley, and Northrop Grumman are among the other firms that have offered special financial rewards to executives who leave to enter government.

This rubs me the wrong way, just as it rubbed me the wrong way when one of Obama’s cabinet appointees got a similar payout. But the more I think about it, the real question isn’t whether government officials get to keep stock options and other forms of deferred compensation when they jump to government.

What bothers me much more is why companies feel that it’s in their interest to hire people closely connected to government. What value did Jacob Lew bring to Citigroup? What value did Chao bring to Wells Fargo?

I suspect that the answer has a lot to do with financial institutions wanting people who can pick up the phone and extract favors and information from senior officials in government.

For what it's worth, I'm not a fan of Lew because he pushed for statism while at Treasury. By contrast, I am a fan of Chao because she was one of the few bright spots during the generally statist Bush years.

But I don't want a system where private companies feel like they should hire either one of them simply because they have connections in Washington.

I hope that Trump will change this perverse set of incentives by "draining the swamp." But unless he reduces the size and scope of government, the problem will get worse rather than better.

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