

Washington takes aim at Apple

[Financial Post Staff](#) July 14, 2010 – 10:52 pm

Firm is being dragged into the political swamps for being too successful

By David Boaz

Following in the distinguished footsteps of Microsoft and Google, Apple is the latest innovative company to be targeted by politicians and regulators for being too successful. Will it be sucked into Washington's "parasite economy"?

For more than a decade, Microsoft went about its business, developing software, selling it to customers, and — happily, legally — making money. Then in 1995, after repeated assaults by the Justice Department's antitrust division, Microsoft broke down and started playing the Beltway game — defensively at first.

Washington politicians and journalists sneered at Microsoft's initial political innocence. A congressional aide said, "They don't want to play the D.C. game, that's clear, and they've gotten away with it so far. The problem is, in the long run they won't be able to."

The political establishment was essentially telling Bill Gates, "Nice little company ya got there. Shame if anything happened to it."

And Microsoft got the message: If you want to produce something in America, you'd better play the game. Contribute to politicians' campaigns, hire their friends, go hat in hand to a congressional hearing, and apologize for your success.

A decade later, it was Google. After a humble start in a Stanford dorm room, Google delivered a cheap and indispensable product and became the biggest success story of the early 21st century.

But in our modern politicized economy — which author Jonathan Rauch called the "parasite economy" — no good deed goes unpunished for long. Some policymakers threatened to create a federal Office of Search Engines to regulate Google. The George W. Bush administration wanted Google to turn over a million random Web addresses and records of all searches from a one-week period. Congress investigated how the company deals with the Chinese government's demands for censorship.

So, like Microsoft and other companies before it, Google opened a Washington office and hired well-connected lobbyists.

And now Apple. After years as a cute little niche player, Apple has suddenly started producing wildly popular products such as the iPod, the iPhone and the iPad. The Federal Trade Commission has started rumbling about Apple's threat to competition. Note the absurdity here: Apple creates whole new products and industries, consumer benefits that didn't exist before, and the federal government worries that it's somehow going to "limit" competition in a field it brought to the market.

Apple's competitors, including the massive Google, continue to play the game by filing complaints with the government.

Politicians, seeing an opportunity to extend their power and rake in some campaign cash, are circling like sharks. When both Apple and Google declined to attend a Senate show trial on Internet privacy, Senator Jay Rockefeller growled, "When people don't show up when we ask them to ... all it does is increases our interest in what they're doing and why they didn't show up. It was a stupid mistake for them not to show up."

Apple still has a smaller lobbying budget than its competitors and doesn't have a committee for political contributions. But with its new market success attracting the attention of competitors, regulators, and politicians, don't expect that to last. Apple is about to be dragged into the politicized economy of Washington.

That economy is a good deal for people with connections. "People in industry are willing to invest money because they see opportunities here," Patrick J. Griffin, president Bill Clinton's top lobbyist, told The Washington Post. "They see that they can win things, that there's something to be gained. Washington has become a profit centre."

Of course, all this investment in Washington reflects Depression-era criminal Willie Sutton's observation about robbing banks: "That's where the money is."

The federal budget has grown steadily over the last 60 years or so to about \$3.7-trillion. The number of pages in the Federal Register, where new regulations are printed, grows by about 70,000 every year. Total spending on lobbyists doubled during the Bush administration and reached a record high in 2009.

As the antitrust lawyers circled around Microsoft, Bill Gates wrote, "It's been a year since the last time I was in D.C. I think I'm going to be making the trip a lot more frequently from now on."

And that's what politicians and regulators are costing America: The brilliant minds of Silicon Valley and Redmond, Wash., are going to waste time and energy on protecting their companies instead of thinking up new products and new ways to deliver them to consumers.

Dragging Apple into the political swamps is just the latest tragic example of the diversion of America's productive resources into the unproductive world of political predation.

Financial Post

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