
We Cannot Let Cronyism Overrun Our Economic Garden

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In “The Road to Crony Capitalism,” Michael Munger and Mario Villarreal-Diaz tackle whether cronyism (crony capitalism) is “intrinsic to” capitalism. Is capitalism “sustainable,” or does capitalism in a democracy always devolve into “corporatist cronyism”?

Capitalism as defined by Munger and Villarreal-Diaz is sustainable in theory. But we must first acknowledge that crony capitalism and not “real capitalism” (as Munger and Villarreal-Diaz put it) is the default setting for any reasonably ordered, relatively free society (and for other types of societies). Since the time of Hammurabi, and no doubt before then, interest groups have lobbied the king, chieftain, warlord, or other power figure for riches plundered via the state from the populace. They have always sought special favors and licenses and access. That’s pretty much the point of a court. Favors and riches are handed out to cronies, and wealth and power are aggregated in the political class, which reinforces the power of the powers that be. This in many respects is the story of government.

So we must understand that “real capitalism” is only an ideal. There was no magic moment when “real capitalism” was birthed devoid of blemish and crony parasites. The blemishes and parasites have been there since the beginning. The current expansion of cronyism does not represent some “evolution” or alternatively a devolution to

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a post-“real capitalist” society. No, it reflects a flare up of one of the greatest challenges of humanity. Society tends to be cronyist, and it always has.

The road to crony capitalism does not lead through “real capitalism.” In actuality, crony capitalism is always right around us. Cronyism is not a destination. It is, in fact, the landscape. Sometimes the crony weeds grow so high as to block the sun. Occasionally the crony weeds are few and relatively sparse. But cronyism in any reasonably organized society is always there. The question is whether we tend to the garden around us and make sure to reduce the “nutrients” this crony growth needs to thrive or choose to put the pruning shears away and unwisely construct institutions that create conditions that enable the growth of cronyism, which eventually will choke out human progress.

Cronyism grows in certain conditions better than others. Society should seek to make conditions as suboptimal as possible for cronyism. It would be all too easy to continue with this garden analogy, but for the moment I’ll put it aside.

Cronyism Is a Treatable Disease

I will instead introduce another analogy—cronyism as a disease, a treatable disease. Many modern human ailments, we are told, might not be curable but are treatable. Asthma, diabetes, and hypertension are among such ailments. We might not be able to banish them altogether, but we can with effort manage them into the background of life. Of course, without effort these diseases can ravage our bodies, just as cronyism can ravage a free society.

A key ongoing conflict at my website, AC2News.com (the main news outlet for Against Crony Capitalism), is between the opponents of crony capitalism who favor small government and the (often well-meaning though sadly mistaken) enemies of crony capitalism who think that crony capitalism can be regulated away with the “help” of the state.

But the state is the great enabler of cronyism. Crony capitalism cannot happen without the state. If there are no rents to be had, the rent seekers don’t show up. As such, it then would be logical, if we are seeking to facilitate a healthier, less-crony society, to limit the state. If we are to address the “disease” of crony capitalism, it thus makes sense to eliminate the state to the best degree possible. Just as someone who is prone to gout must not indulge in port or lobster, so too must we reduce our exposure to the state if we want to be a generally healthy society.

Of course, such a diet is easier said than done. We often know what is good for us and still don’t do it. In addition, not everyone is on board with the antistate “diet.” Large swathes of society see the state as not the enabler of crony capitalism, economic dysfunction, and rent seeking but instead as the tool by which justice and opportunity are dispensed. Some people see the treatment (reducing the state) as the disease and the enabler of the disease (the state) as the cure. What then to do? Are we simply destined to fall victim to cronyism? If a substantial part of the population (likely the majority)

doesn't see the state as the core source of what ails society, are we destined to remain sick? Perhaps. But that outcome is not a given, and such societal dispositions can change with time. Fashions change.

People Need to Know They Are Being “Ripped Off”

Public choicers, at least in my experience, too often embrace a “lost-cause” mentality. They see what's wrong, they loathe the crony system, they understand that the state must be reduced for progress to be made, but in their view it seems that narrow crony interests always win against dispersed public interests in the end. There is the “right and just thing,” and then there is reality. And reality is that Leviathan constructs itself in a way that works for special narrow interests and against the people. That's just the way it is, moan the public choicers.

But there is a way out of this problem, as Murray Rothbard in his keynote address to the Libertarian Party Convention in 1977 and others have pointed out. If people come to understand that the state is “ripping them off,” as Rothbard put it, something that is not often talked about in polite political company, the people might just take offense and do something about it.

Even if the public has little time, has few individual resources for challenging Leviathan, and generally is more interested in its favorite football team than in cronyism, no one likes to be robbed. This awareness certainly isn't enough to curtail an expanding cronyist system, and many people simply do the equation and conclude that though they are being “ripped off” via taxes, regulations, and other things, on the whole they benefit from the system. The ability of a cronyist system to co-opt people is one of the greatest obstacles for those who would like to reduce cronyism.

But such co-option on a broad scale is not inevitable. It is not predestined. If conditions can be made hostile to cronyism by reducing the footprint of the state, and if cronyism can be made generally unacceptable, politically incorrect, or at least unfashionable, much progress can be made in reducing cronyism and keeping the crony weeds in check.

If, for instance, wealth that is gained via the crony system is seen as unseemly, unjust, and unfair to most people, this will obviously help the anticronyism cause. If people generally come to see that crony capitalists exploit the system and by extension the citizenry and so are less deserving of their status and wealth, this will change the climate for the cronyists, at the margins at least. Fashion is a powerful thing. There is little stigma attached to crony wealth in the United States these days. This can change. It is unlikely to change, but it is possible, and some degree of societal consciousness raising must happen if we are to rein in the crony beast to any significant extent in the future.

To this end, AC2News seeks to make cronyism at least a little less acceptable by shining a harsh spotlight upon it. It has been our experience that the average person is receptive to the anticrony critique and that as people become more informed, they come

to see the ill effects of cronyism more in their own lives (that is, generally speaking—some of our readers no doubt are very happy with their crony lots). These “soft” efforts should not be discounted. Indeed, they are vital to progress on the anticrony front.

Policies implemented must have a broad constituency for legitimacy. An anticrony constituency can be created with time and great effort, and progress has been made on this front in recent years. We are having this discussion in these pages right now, after all. And we have seen glimpses of what can be if people come to understand that the state and the crony system are indeed “ripping them off.” But we are still in the embryonic stages of any anticrony movement.

Even if the theft is small and in many respects inconsequential to most people, that the acts of theft by crony actors are recognized as *theft* is potentially very powerful. Today much of the public doesn’t even know it’s being ripped off via the crony system. This could change. If those of us who are against crony capitalism want to make any real progress, it must change.

The Path Ahead: Limiting Pro-crony Conditions and Institutions

There is no inevitable march toward greater cronyism. Democracy and liberalism don’t necessarily create conditions in which broad and pervasive cronyism will be the end result. Such conditions can emerge and often do, but their emergence is not a given. If a conscious effort is made in a broad enough way, progress against the crony state and system generally can happen. Cronyism can be reduced: the crony weeds need not take over the garden. But we must choose to actively fight this natural (but by no means predestined) societal tendency toward cronyism.

History is moved forward not by Marx’s lurching train but by people with vision. History does not unfold according to some materialist plan or order. We determine our path. We choose to embrace some intellectual fashions and to eschew others.

Of course, there are vested political tastemakers, and these people are usually the fortunate, the connected, the cronies, the aristocracy (of old and today). The natural tendency toward crony capitalism is boosted by these interests, but history has shown us that the “official” political tastemakers are often not the final arbiters of political fashion.

In running a website focused on crony capitalism for many years, it has been my experience that the case against cronyism is generally compelling. For those outside of the crony system, the idea that the new aristocracy should be taken to task and that opportunity in a more merit-based society should be the norm makes sense. The idea that people outside of the crony system deserve respect and that success should be determined by hard work, adding value for others, and wise decisions—not by connections to the state—is widely held. This is not a point of controversy for the vast majority who operate day to day without the blessing of the nomenklatura. In the

United States, anyway, an anticrony sentiment is embedded deep in the DNA of the everyday person.

The natural public anticrony disposition needs to be a focus. Without the general population or at least a sizable minority of the population becoming aware of our crony political and economic systems, there will be little progress. Rational ignorance is powerful. However, engaged interest can become rational if people come to understand what is at stake. And what is at stake is our future prosperity. If a sizable minority of the population comes to see that crony capitalism is a direct threat, political fashions will change.

Right now too few people see how licenses controlled by bureaucrats and industries limit their opportunity. Right now too few voters realize how much of their hard-earned money is distributed to connected companies via the state. Right now too few people understand how forced union dues are recycled through the political system to further entrench unions and to expand government and the crony system. Right now too few people (in particular “conservatives”) understand the ecosystem of boondoggles that is our military. Right now too few people understand the degree to which our current debt system thrives thanks to the unholy alliance between government and banks. Right now too few people understand why tariffs are usually crony and cost their families.

But people can learn. During the “Ron Paul Revolution,” Congressman Paul was fond of pointing out that real political change doesn’t need everyone to get on board with an idea. What a movement needs is a committed but still sizable minority of informed people who highlight an issue. This was the case with the civil rights moment, and it was briefly true with the Tea Party movement. It can be true again.

It’s Not a Lost Cause

In “The Road to Crony Capitalism,” Munger and Villarreal-Diaz conclude that “the solution, if there is one, is to empower entrepreneurs not to want to become rent seekers and to constrain state actors not to sell off rents in the first place.” I agree with the first part of the solution. But how do we do this? One can’t expect an entrepreneur who is scrapping and scraping toward success to do anything but maximize his or her advantages, whether crony or not. Even if an entrepreneur is especially virtuous, the temptation to engage in the crony system may still overwhelm. One cannot expect a businessperson to put himself or herself at a disadvantage versus his or her competitors in the marketplace. “Generals” must fight on the battlefield with which they are presented. So, too, must entrepreneurs.

On the second part of the solution, “constrain[ing] state actors” within a large and ubiquitous state is virtually impossible. In such a state, how are these actors constrained? By other state actors? The only way to solve the problems connected to cronyism is by reducing the state itself. After studying crony capitalism closely, day in and day out for

seven years, I am convinced this is the *only* way to really reduce crony capitalism. We must make the rent opportunities fewer and less tempting. We must “constrain state actors” by reducing the number and power of state actors.

Again, we must see cronyism not as an inevitable destination but as a persistent, potentially suffocating weed. We can battle the ever-growing bramble that threatens to overrun our economic garden and stop it from flourishing. We can choose to treat the crony cough exacerbated by the cold winds of pervasive statism. *We must manage crony capitalism.* We must manage the state. We must recognize that the natural tendency is toward cronyism and ubiquitous statism and then get on with trimming the brush back and treating an ailment that need not cripple society.

Engaging and informing the minority of the political laity that understands (or comes to understand) that fighting cronyism is in its best interests are the first steps. Then really engaging in the slog that will be the reduction of the state (think reduction by small percentage points at least in the beginning and engagement in the fight over decades) is the next course of action. Both will have to happen concurrently to some degree.

This is no small task, to be sure. One thing that those who have fought for the reduction of the state have not done terribly well, or at least have not done well recently, is to explain in clear concrete terms why a smaller, less-crony state is in the everyday person’s best interest. Just as the statisticians have long sold the idea of a larger state (which ultimately benefits the crony class most) to everyday people as a solution to their troubles, so too must those who fight cronyism articulate why it is that life, everyday life, will be better with a less crony, much smaller government.

And as we do this, as we engage in what some no doubt will see as a quixotic endeavor (it’s not), we must remember that a completely crony political and economic system is not inevitable. An entirely crony state is not our destination unless we allow it to be.

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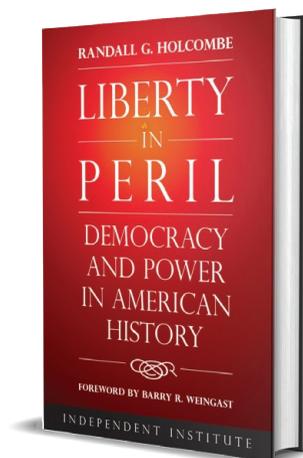
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