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DISCUSSION & REVIEW QUESTIONS:

- At the beginning of the video, Professor Cost reminds us that, “...good, old-fashioned capitalism... is premised on the free exchange of good or services between independent agents.” How does crony capitalism differ from this? What is crony capitalism premised on?
- Professor Cost explains that, “Capitalism is moral because it is premised on a voluntary exchange between independent parties – who agree to the deal only because it creates value for everybody. Crony capitalism is immoral because one of the parties – the government – has been bought off.” What is significant about this difference? Who does crony capitalism create value for?
- Later in the video, Professor Cost asks, “How much does crony capitalism cost society per year? It is hard to say precisely, but the number almost assuredly reaches into the tens of billions of dollars.” Who do you think is damaged by crony capitalism, and in what ways?
- When outlining some of the major problems with crony capitalism, Professor Cost states that, “Second, it is incredibly wasteful. In our cereal example, the government overpaid by going with Ted instead of Steve. That’s obviously a waste of taxpayer money. In fact, it is really stealing from the taxpayer. Here’s more waste. Ted had to spend money to lobby the government to get the contract. So, he didn’t get all of that dollar out of the transaction. That’s money that could have been spent making a better product or Ted could have used in some other productive way... Economists call this deadweight loss. And it can be substantial.” Since crony capitalism wastes and steals taxpayer money, why do you think that it is allowed to continue? How do you think politicians and those lobbying the politicians are getting away with such immoral behavior without suffering any consequences?
- Professor Cost rightly points out that, “...when we expect the government to promote an industry, tinker with some sector of the economy, [or] help some important voter group, we create the groundwork for crony capitalism and all the bad things that come with it – favoritism, waste, theft, and other forms of corruption,” but that “A limited government confined to equal protection can’t play favorites” therefore “Our first task is to recognize that government must have limits.” What exactly does Professor Cost mean in regards to limits? Limits on what, exactly? How will limits mitigate or eliminate the temptation for politicians to engage in corrupt activities that do not provide for the general welfare of American citizens? Do you think lobbying should be allowed? Why or why not?

EXTEND THE LEARNING:

CASE STUDY: The Bridge to Nowhere

INSTRUCTIONS: Read the article “The Bridge to Nowhere: A National Embarrassment,” then answer the questions that follow.

- What was the ‘Bridge to Nowhere?’ Why was it a national embarrassment?
- How do you think that this massively expensive project that seemed to have been planned to benefit a relative few got approved? Do you think that the project would have been a waste of taxpayer dollars? Why or why not? Considering that a massive hurricane had spread destruction along the gulf states, who were still trying to recover, do you think it would have been equitable to spend the money for the relatively low population in Alaska? Why or why not? Do you think that this project would have been consistent with the constitution’s mandate to congress to provide for the general welfare of citizens? Why or why not?
- What kind of limits might have prevented the project from gaining approval in the first place? Do you think that Alaskans should have apologized for trying to do this project using national taxpayer funds? Why or why not?



QUIZ

WHAT IS CRONY CAPITALISM?

1. **Why would the government buy Ted's \$5 cereal over Steve's \$4 cereal?**
 - a. Because Ted lobbied the committee.
 - b. Because Ted gave more campaign contributions.
 - c. Because his corporate headquarters is in the committee chairman's district.
 - d. All of the above.

2. **Crony capitalism is limited to _____.**
 - a. tax policy
 - b. Medicare
 - c. Obamacare
 - d. There is no limit.

3. **What makes crony capitalism immoral?**
 - a. One of the parties—the government—has been bought off.
 - b. It creates value for all parties.
 - c. It places power in the hands of the people.
 - d. It circumvents campaign finance laws.

4. **Due to crony capitalism, an entire industry can become, in effect, a client of the government.**
 - a. True
 - b. False

5. **If getting rid of crony capitalism is the goal, it all starts _____.**
 - a. with healthcare.
 - b. with voter ID.
 - c. with limited government.
 - d. with lobbyists.



QUIZ - ANSWER KEY

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<http://www.heritage.org/research/reports/2005/10/the-bridge-to-nowhere-a-national-embarrassment>

The Heritage Foundation

WebMemo #889 on [Federal Budget](#)

October 20, 2005

The Bridge to Nowhere: A National Embarrassment

By [Ronald D. Utt, Ph.D.](#)

Today, Senator Tom Coburn (R-OK) will offer an amendment to the Senate's appropriation bill to transfer the \$223 million that Congress had previously approved for a bridge in Ketchikan, Alaska, to fund reconstruction of a hurricane-damaged bridge in Louisiana. Dubbed the "Bridge to Nowhere," the bridge in Alaska would connect the town of Ketchikan (population 8,900) with its airport on the Island of Gravina (population 50) at a cost to federal taxpayers of \$320 million, by way of three separate earmarks in the recent highway bill. At present, a ferry service runs to the island, but some in the town complain about its wait (15 to 30 minutes) and fee (\$6 per car). The Gravina Island bridge project is an embarrassment to the people of Alaska and the U.S. Congress. Fiscally responsible Members of Congress should be eager to zero out its funding.

The bridge has become an object of national ridicule and a symbol of the fiscal irresponsibility of many in Congress toward the money entrusted to them by the taxpayers. It has also become an embarrassment to the people of Alaska and to responsible members of Congress who now find themselves tarred by the same brush dipped in the muck of the highway bill.

In response to this national humiliation, many in Alaska have vented their anger in the state's newspapers, and the papers' editors have also objected to the bridge on their editorial pages.

In the *Anchorage Daily News*, Diane Mucha of Eagle River wrote, "Of course, Alaska should and, hopefully, will volunteer to reject the money for the bridges to nowhere and Congress will apply the money for the hurricane relief efforts."

David Raskin of Homer, Alaska, wrote, "Alaskans owe an apology to the people of New Orleans, to Alaska Native people and to the Nation for their selfish shortsightedness in sending these scoundrels to Washington and voting to keep them there."

In the *Ketchikan News*, Dave Person wrote, "Thinking about the immense disaster in the Gulf States, it occurred to me that the most effective thing that the residents of Ketchikan could do to help would be to return the money earmarked for our Gravina Bridge."

Back in Anchorage, Art Weiner wrote, "In a collective act of passion, the people of Alaska should request that the funds appropriated for our bridges be used for infrastructure reconstruction in the hurricane-affected area."

Despite the willingness of many in Alaska to give back the bridge to pay for disaster relief, Alaska's congressional delegation has dug in its heels, and many of the delegation's colleagues, including all of congressional leadership, support its resistance. If Alaska loses some of its pork, they fear, so might they.

In opposing Senator Coburn's amendment to defund the bridge, one prominent Senator told a closed-door meeting of conservatives that the plan was simply impractical. Many of the earmarks, he claimed, are counted towards a state's equity bonus and thus are part of the state-by-state allocation formula. Defunding the bridge, he said, would direct at most \$75 million to Louisiana, with the remaining \$148 million returning to Alaska as money the state could use at its discretion for road projects.

Never mind that the Senator seems to view \$75 million in taxpayers' dollars as a sum of little consequence; what the Senator sees as a problem in fact would be a considerable benefit to Alaska. Assuming the Senator's numbers are right, Alaska's Department of Transportation would gain \$148 million in money it could spend on the state's transportation priorities instead of a useless bridge that would serve a tiny fraction of the state's citizens.

Perhaps recognizing that the citizens of Alaska, including many in Ketchikan, do not value the Gravina Island bridge project, its defenders have been forced to resort to threats. One House "Leadership staffer suggested that retribution could be levied for the removal of the project in a technical corrections bill or other measure," BNA reported. This is the sort of challenge that fiscally responsible senators should relish and, through their votes, show the House leadership exactly what they think of this childish threat. Most importantly, pushing back would show the nation that their august institution of democracy still maintains the moral authority to be trusted with hard-earned tax dollars.

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