

## **State of Thieves**

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The theme of Sarah Chayes's "Thieves of State" is that corruption can't be ignored as a source of international instability. The injustice of it enrages people. Corruption thus becomes "an important driver of conflict worldwide," as Ms. Chayes puts it. "Abusive government corruption prompts extreme responses and thus represents a mortal threat to security." Ms. Chayes, who in her seven years in Afghanistan worked as a reporter for National Public Radio, as an NGO administrator and as an advisor to Gen. Stanley McChrystal, witnessed programs against corruption initiated by the NGOs, NATO, and the U.S. Army fail and fail again, co-opted by the Karzai brothers and worse. She tells the story of what happened in Afghanistan brilliantly, and compares her experience there with the current corruption in Egypt, Russia and the dismal rest. In all of these places, the officials extract money from the system, the citizens cheat the system, and the business interests co-opt the system. It's an old story, from the corrupt judges the prophet Amos blasted to the love-besotted governor in squeaky-clean Oregon.

Which takes us to the United States. Jay Cost, a journalist who, like Ms. Chayes, has scholarly tastes, seems to have read everything about federal corruption from the early republic to the corporate-friendly "Mickey Mouse Protection Act" of 1998. With "A Republic No More" he provides a definitive account of Jacksonian grift, Gilded Age graft and 20th-century government giveaways. On Ulysses Grant, he quotes a contemporary: "Selfish men and ambitious men got the ear of that simple and confiding president. They studied Grant . . . as the shoemaker measures the foot of his customer." The New Deal's Agricultural "programs," still in force, he argues "were eerily similar to the tale of nineteenth-century tariff laws," becoming more powerful the more they enriched a favored few.

As any ethical person should today, Mr. Cost rails against the gross inefficiency and inequity of present-day oil subsidies, the Congressional pork barrel, easy-to-game Medicare, and corporate welfare. The tax code, he points out, keeps filling up with more ways for companies to shelter revenue from taxes. "Every disinterested observer hates it; nobody can stop it." An admirer of James Madison's belief that separation of powers makes for a lasting republic, he concludes that the vaunting progressive ambition to expand the functions of the Federal government, with conservative schemes to feed the military-industrial complex, overwhelmed the antique structure of the Constitution, yielding "A Republic No More." If you consider agricultural subsidies, special-interest politics and the revolving door between the legislature and the lobbyist's firms to be examples of corruption (as Mr. Cost does), "A Republic No More" suggests the United States is now as corrupt now as during the Gilded Age, or the Age of Jackson. Maybe more. Certainly the government is bigger, and every extension brings a fresh opportunity for waste and mismanagement. As Will Rogers used to put it, "Be

thankful we're not getting all the government we pay for." If Will could see a Federal government directing four times the share of the economy than in 1925, he'd stop laughing.

Both books are page-turners, if you can handle some 540 pages registering the crimes, follies and misfortunes of humankind. Anyone interested in good government (and bad) would do well to read both. Yet an economist might be inclined to draw a different conclusion from their reporting (and Murray Rothbard and Robert Higgs did so for decades):

"Government is a band of robbers into whose clutches we have fallen" – not "thieves of state," in Ms. Chayes's way of putting it, but a state of thieves.

"Corruption" is, briefly, cash or other benefits we do not approve of. Cash collected from selling a house is not corruption, except in a strictly socialist regime. Cash collected for changing a vote is. (Or it is now: As Mr. Cost points out it was not corruption in 19th-century Rhode Island; nor was it in Trollope's England.) The top 40 of the 174 governments ranked in 2014 by Transparency International might be considered the honest ones. Denmark is the least corrupt (the other Nordic countries are nearby). Italy ranks 69th, tied with Bulgaria. Afghanistan ranks 172nd. The U.S. is ranked 17th, and you know what Mr. Cost thinks about honesty there. But the quasi-clean top 40 states govern only 13 percent of the world's population. Fully 87 percent of humanity lives under a corrupt government: *un governo ladro*, the Italians say, a thief government; or as the Nigerians say of their typical politician, ITT, "international thief, thief," or as we say in Illinois, the Combine. The very definition of a state, said Max Weber in 1919, is a monopoly of legitimate violence. The monopoly tempts mightily.

So what else is new? Ms. Chayes and Mr. Cost want us to know that corruption matters, that the hour is late and we must do something. But is corruption so important in the grand scheme of things? Mr. Cost, for instance, reckons that his much-reviled pork-barrel projects, Medicare expenses and corporate welfare payout total up to "some extremely large figures, approaching \$100 billion per year." Wait a minute. That's only half of 1 percent of national income. Americans spend about that much each year on recreational boating.

Yes, corruption can be spectacularly inefficient, resulting for example in bad decisions about the use of subsidized water in the Central Valley of California. And it can be spectacularly unjust – a government such as Congo's receiving aid from Norway or Germany that is siphoned off into Swiss bank accounts. But corruption can be efficient and just, too. It can be good for efficiency if, say, bribes are paid to get around bad laws (such as most of the building codes in American cities) or to smooth the course of sales by U.S. businesses to the Egyptian military. And the turkey at Christmas supplied by Tammany Hall justly helped the poor – if they voted right. As Mr. Cost shows, and as you can learn at the movies, Honest Abe used corruption skillfully to win the war and end slavery. Mr. Cost shows that "Lincoln's tenure represented the potential good that a natural aristocrat could do with the tools of corruption," such as holding his shaky coalition together with Federal jobs. Another natural aristocrat, FDR, used it, too, pushing through his often contradictory "programs" under the eye of his postmaster general and spoils expert, Jim Farley. Farley wrote that legislation depended on the loyalty of the Democratic Party's workers: "we are more likely to get that loyalty for the Administration if we appoint Democrats than if we appoint Republicans." If the programs did not get the country out of the Depression – neither the New Deal nor World War II did – they perhaps prevented the United States from tipping into fascism – a lively possibility in 1933.

Corruption, Mr. Cost shows, collects rents from new opportunities. Thus George Washington Plunkitt collecting Tammany Hall's "honest graft" from knowing where a new road is going: "I seen my opportunities and I took 'em." But does it much matter who gets the graft, or what economists call "rent," arising from a novelty? For efficiency, the economist would argue, it doesn't.

Beyond injustice and inefficiency, is corruption bad for growth? Growth, after all, not equality of distribution or exact efficiency in allocation, is what we seek if we really want to help the poor, rather than simply feeling good as we drink our second cappuccino while perusing *The New Yorker*. The astounding enrichment out of trade-tested betterment since 1800 has raised the absolute standard of living of ordinary people not by the 5 percent or even, say, the 25 percent achievable one-time by eliminating inefficiency or inequity – as studies of trade unions and governmental transfers show – but by fully 3,000 percent. Until 1800, humans staggered along at \$3 a day in present-day prices. Afghans to this day earn less. Yet by now a Japanese or American makes, earns and consumes anything from \$90 to \$130 a day. The "Great Enrichment" happened to Britain under the old corruption, to the U.S. under the spoils system, to Hong Kong under all manner of shady property deals. Though both Ms. Chayes and Mr. Cost are writing as historians, they are dealing with the short run. What most matters is whether graft slows the Great Enrichment. In Chicago in 1890, it didn't. In Kabul in 2015, it does. The chief way that corruption is clearly bad, in other words, is if it kills the Great Enrichment.

Both books argue – contrary to all their beautifully told evidence – that by "retooling" institutions or changing the "architecture" of government, we can make them less corrupt. Both writers admire James Madison's Constitution, which they think of, in Ms. Chayes' words, as "engineering work [the Founding Fathers] did on the rational mechanism" of a republic. "It is time," Ms. Chayes declares, "to consider revision of the venerable clockwork that has ordered our polity . . . for more than two centuries." Machines to be redesigned. Clockwork to be set right. You bet.

Mr. Cost too claims that "institutions" can provide Madisonian checks and balances preventing corruption. But why exactly? Why would new checks and balances not lead merely to new logrolling? It is never clear in Mr. Cost's book how the lack of "balance" between powers and institutions leads to corruption. "Pleasing the parochial factions" could, as Madison and modern pluralist theorists such as John Mueller claim, work pretty well if there were enough of them competing.

The two authors echo, in their own ways, the World Bank orthodoxy nowadays: that Better Institutions can do the trick. Yet Ms. Chayes' own bitter experience in Afghanistan and Mr. Cost's historical research on America's old struggle with corruption show the opposite. The Pendleton Civil Service Reform Act of 1883 overturned the system of spoils, exercised so vigorously by Lincoln. But then Pendleton was overturned by state and local political machines, which expanded over the next century in spectacularly corrupt fashion. Ms. Chayes and Mr. Cost and the neo-institutionalists believe we can enchain the state with "mechanisms." I doubt it. Adding laws onto an ethically corrupt state will not change much of anything, because the monopoly of violence goes on tempting. The mechanical rules of bribery in Stockholm are probably the same as in Delhi, and the jaywalking rules in Berlin the same as in New York. The difference is ethics. Without ethics no amount of institutional "redesign"

would yield the honest government that Swedes have and that American progressives fantasize about.

We should stop thinking, as too many economists do, that we can “engineer” society with “incentives.” Freakonomics doesn’t reign. The blessed Adam Smith wrote that “the man of system . . . seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board.” Nowadays, alas, we are all men (and women, dear Adam) of system.

In 1787, at the start of the debate over the ratification of the Constitution, the Anti-Federalist and civic republican author Samuel Bryan wrote, “a republican, or free form of government, can only exist where the body of the people are virtuous, and where property is pretty equally divided.” Is it wrong? The equality of property is surely wrong by now, when (contra Piketty) even the poor have hot-and-cold running water and color TVs and access to higher education. But is the other half, the requirement of virtue, incorrect?

No, and that’s what we can learn. Mr. Cost summarizes Madison by claiming that “civic virtue could not explain why republican governments flourish or perish.” But Madison, like his modern descendants at the World Bank, is mistaken. He was, by contrast, correct when he noted “how easily are base and selfish measures, masked by pretexts of public good and apparent efficacy.” Yet self-interested factionalism pretending to public good is not, contrary to Madison and Mr. Cost, a problem peculiar to republics. It is solved under monarchy by Good Kings and under aristocracy by Good Lords. Ms. Chayes refers at one point to the “mirrors for princes” – the manuals on how to be good, or least prudent – that tried to persuade sovereign rulers to virtue. Why not then solve corruption in a republic by Good People?

All that works in the end is ethical change, urged from the mother’s knee, the pastor’s pulpit, the judge’s bench, the schoolmaster’s lectern. It is fruitless to propose “mechanisms” or “institutions” absent an ethical desire in enough of us to do good. Ms. Chayes writes that the project of the Enlightenment, whether French or Scottish, and its mature form in Western liberalism, was to get God out. She fears that bringing God back in can yield only religious extremism. But it need not. She notes that Pentecostal churches in Nigeria became themselves corrupt. But as people like the social psychologist Carrie Myles have discovered, in Africa a conversion at least stops the men from drinking and whoring, and brings ethics into the family.

We need sermons, which is to say instruction from our mothers and movies and imams about How to Be Good. Sarah Chayes and Jay Cost provide ample texts for the sermons. Indignation on the ground, if pervasive, stops corruption. The books give us cause for indignation, surely. But the rest is up to us, or our mothers teaching us at their knees. The civic republicans of former times were right. The Madisonian mechanics were not, and are not.

*Ms. McCloskey’s book “Bourgeois Equality: How Betterment Became Ethical, 1600 to 1848, and Then Suspect” will appear in 2016.*