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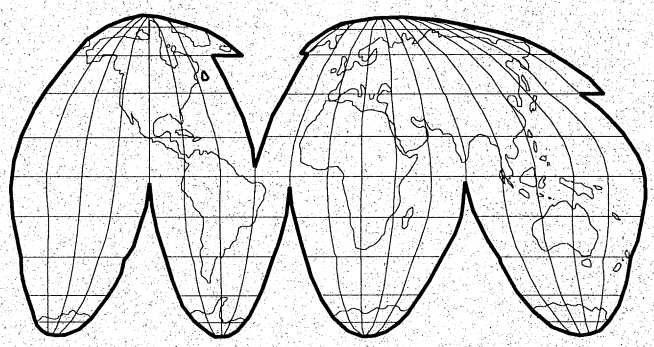
Understanding Technical Barriers to Agricultural Trade

Proceedings of a Conference of the International Agricultural Trade Research Consortium



Edited by David Orden and Donna Roberts

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The International Agricultural Trade Research Consortium

The Political Economy of Administered Decisions: What We Might Hope For and What We Can Expect

Gordon Tullock

In a meeting dedicated to one person it is customary to point out that he has many friends. I shall violate custom by pointing out that Jimmye Hillman has many enemies. At one point in time, the legislature of the State of Arizona attempted to more or less abolish the entire Department of Agricultural Economics here mainly to get rid of him. The thought of hiring a hit man apparently didn't occur to them.

This is by no means a complete list of his enemies, however, there are a great many people in the Department of Agriculture who feel that the world would be a better place if he had never existed. A number of people in the Farm Bureau and other agricultural lobbying groups also have strong feelings of this sort. I think most farmers have never heard of him, but those that have probably regard him as an incubus. There are few people who have so many enemies in their field.

I should say, however, of course, that Hillman does have some friends. Not all that many because people who normally would favor him, consumers of agricultural products, people who have been compelled to drink odd-colored water in Tucson, etc., normally are not aware of his role at all and hence, are not friends, but they probably would be if they knew about him.

I usually say that the basic role of agricultural economics is to argue that farmers should be, by various government programs, given a markedly higher income than they would obtain in a competitive market. This higher income, of course, is paid for by the rest of the citizenry, and rather by accident, more by the poor people in our society than the wealthy. The poor tend to eat the controlled commodities in larger quantities than the wealthy.

Using this definition it is clear that Hillman has betrayed his trust. He has, on the whole, favored the poor people who will suffer when food prices are raised, rather than the farmers who may perhaps have to give up their winters in Florida if the price of food falls. That he would have enemies, granted this approach, is obvious.

But so much for Hillman himself, I would now like to turn to the general subject of my lecture which is concerned with applying modern techniques of economics to the various crop restriction programs or import restrictions. I must begin by saying I don't know very much about the details of these programs, although the sponsors of this organization have given me a quicky course in them. To take one example, I like avocados a great deal, but I had no previous idea that I was paying so much more for them than their price just a short distance south of where I live.

What I specifically want to talk about here is the use of various quarantine regulations to increase the price of various things, particularly avocados, in the United States [US]. I should

say that the US is, of course, not alone in this area. You'll find the same things in most parts of the world. Indeed, I have a rather general rule which I can give to you. Whenever you are traveling abroad and you find people criticizing the US, the appropriate response is, "But what about your farm policy?" Since every country in the world has a ghastly farm policy, this is generally effective.

Further, as a matter of fact, our restrictions on farming, etc., are relatively mild compared to those of the European Common Market or Japan or Korea, from which I have recently returned. Bad as our situation is, it is much worse elsewhere.

The specific issue that I am going to deal with today is a specific kind of restriction on imports. This restriction has the rather odd characteristic that it is not certain that it is unwise. We can say with certainty that the people who push for it most vigorously are farmers who would lose income if the restrictions were not imposed, but nevertheless, there is an argument for their point of view, which is not one of income redistribution.

The case of avocados is interesting because it is not, like most farm product restrictions, a pure transfer from the poor to the wealthy. Although thirty-eight percent of the avocados produced in the US are produced by two percent of the farmers, the rest are produced by smaller and not so prosperous enterprises. On the other hand, consumers of avocados are mainly, like myself, well-off. This is however, a special characteristic of the avocado restrictions. Most agricultural restrictions transfer money from the poor to the well-off.

The problem here is that our knowledge of medicine in general for plants and animals is very much worse than that for human beings. Further, there are far, far, more parasitic arthropods which attack vegetable products than those which attack human beings. The result of this is that quarantine, a technique, which we used to use to control human disease, but have largely abandoned there, can be argued for with respect to all sorts of plant and animal products.

This phenomenon is not by any means entirely American. I accidently stumbled on quite an elaborate cactus farm in downtown Zurich, right on the edge of the lake. Not a terribly good place, one would think, for cactus. I am told there is another one in London, another place where one would not expect xerophytic vegetation to thrive. The apparent reason for this is that cactus have recently became popular as a decorative plant in Europe because they take so little care and importation of large quantities of American cactus, might bring with it various biological difficulties. Hence, growing them locally may be sensible.

This may well have been the reason that they started raising cactus in Zurich and London, but I am sure by now most European governments and indeed, the Common Market Organization, find themselves dealing with lobbyists from both of these rather prosperous enterprises. If we could produce some kind of guarantee that American cactus would under no circumstances contaminate European cactus, I doubt that it would mean that they could be exported to Europe in large quantities.

So much for my rather brief discussion of the genuine argument which can be offered for restrictions on imports of various vegetable and animal products.

Let me turn now to economics, a subject about which I know a great deal more. The problem here is part of a general difficulty of government regulation of economic life. Let me go back in history and talk about the foundation of the first large regulatory commission, the Interstate Commerce Commission [ICC]. When this was created, railroads were engaged in vicious price competition on connections between major cities where there were several railroads functioning. There were continual efforts to create cartels, but these always broke down. Many farm communities however, had only one railroad and the railroads behaved as monopolists would be expected to behave. This infuriated the farmers.

The continuous breakdown of the cartels between the major cities however, infuriated the railroads and hence, they put up relatively little objection to a proposal that the whole system should be regulated by the ICC. I should say that looking back, one observes that most American economists (there weren't very many in those days) were highly skeptical about the proposal, but Congress counted the votes and enacted it.

The purposes of this cartel arrangement were two, one of which was to improve the profit structure of the railroads. A subject which was never mentioned by the Congressmen. This is almost a secret. I discovered it rather by accident while I was in law school and was doing a term paper on the ICC. To my surprise then, but not to my surprise today, I discovered that average profits for railroads were higher after the ICC had been organized than before.

But the other function of the ICC in essence was income redistribution. The farmers would gain and people who wanted to ship something from Chicago to New York would lose because of the adjustment of the railroad fares. It should be emphasized that at the beginning things were no where near as bad as they were later, but nevertheless that was the general trend.

The realization that there was something wrong here was rather slow in coming in general, but it did come with the view that the railroads had "captured" the commission. This was the theme of a great deal of writing for a long time with respect to all sorts of government bureaus. It was claimed that they had been captured by the people they were regulating.

George Stigler in a famous article denied this, he said they had not been captured by the regulated persons, but they had been set up originally for the purpose of benefiting them. As he put it, complaining about the ICC protecting the profits of the railroads is rather like complaining about a dentist fixing teeth. In both cases they are carrying out their basic purpose.

Of course, the ICC is long gone and indeed, regulatory commissions everywhere are suffering from unpopularity and tending to be restricted. A new set of regulatory commissions dealing with the environment has developed and these are clearly not under the

control of large economic interests. They may be under the control of large emotional interests, but looked at from the standpoint of most businesses, they are undesirable.[1]

For a considerable period of time, the usual response by economists to these things were simply to denounce the regulations. There was an exception to this, the agricultural economists. As I said above, agricultural economics departments, thought that their principal duty was raising the price of food stuffs in order to benefit the farmers.

There were of course occasional deviationists. Those traitorous agricultural economists who had abandoned their sworn duty to raise the income of farmers at the expense of the poor, criticized the regulations. Nevertheless, the Department of Agriculture has pretty consistently attempted to carry out this objective. Mainly, this is through the various crop restriction and subsidy programs, but they have also manipulated the quarantine regulations in order to benefit various groups of farmers.

The fact that the quarantine restrictions, theoretically in order to prevent the infestation of avocado groves, has prevented the export of avocados from Mexico to Alaska is a pretty clear indication that prevention of contamination is not their sole objective. It seems unlikely that contamination of Alaska by avocado pests would seriously damage the American economy.

All of this is background leading up to my main purpose which, needless to say is self-advertisement, I want to talk about rent-seeking. Until recently, most economists, including myself made a fundamental mistake in discussing any kind of monopolistic restriction. The conventional wisdom was that when you restricted the production of something in order to raise the price, the social loss was the so-called Harberger triangle. This was the consumer surplus on products that people would have purchased at a lower price, but didn't because of the higher price. The purchase of the commodity at the higher price by people who are still willing to pay was thought to be simply an income transfer from those people to whoever had the benefit. Thus, according to this argument the restrictions on the import of Mexican avocados would lead to fewer avocados being consumed and hence, some loss of consumer surplus, but the growers who raised the avocados in the US would gain exactly what the customers lost on the price of those that were sold.

The reason that this wrong is simple. It contains the assumption that the monopoly or restriction was obtained by its beneficiaries without any investment of resource at all and this is obviously absurd. God certainly does not go around giving people monopolies, and although politicians do indeed produce monopolies for people, they normally expect at least some compensation for their efforts. All of the writers in this field, from my pioneering article on, have thought that the costs of establishing the monopoly must be about the same as the total monopoly profits.

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[1]There was a period of time when our restrictions on automobile exhaust temporarily gave American companies an advantage over their Japanese competitors. There were a number of economists who thought this was the basic force behind these rules, but I doubt that is true.

What these costs are is frequently difficult to put your finger on, but we know that they must exist. J. P. Morgan used to simply pay vastly excessive prices for things that he felt would likely compete with one of his cartels. When government organization of the cartel is the technique used it is necessary to get the government to take the action and the government does not go about the world doing anything good or bad without being pushed. We will confine ourselves to talking about getting government action because that is what is relevant for most agricultural cartels.

Anyone visiting Washington is immediately impressed by the size and flourishing nature of the lobbying industry. There are expensive restaurants so that lobbyists can take Congressmen and civil servants to lunch. The government actually maintains and subsidizes a theater for the convenience of the lobbyists and their guests. I am informed that there are other forms of entertainment available although not quite so publicly.

But all of this is insignificantly small when one compares it with the benefits which are achieved. I used to live not very far from the dairy lobby building. It was a pleasant, moderately sized office building. It clearly could not cost the farmers anywhere near the $500,000,000 a year that the dairy farm extracted from children and other people who wanted to consume milk. Their roughly $1,000,000 per election contribution to campaign funds is equally trivial.

The same is true elsewhere. You may recall some years ago, Chrysler obtained restrictions on imports of competing cars which saved it from bankruptcy. It actually produced statistics on how much they paid for lobbying and it was less than one-tenth of one percent of the value which they had received. Now of course, I realize that there may have been some payments which were not recorded, but payments up in the billions would not have been easily concealed.

The same argument applies to campaign contributions. Campaign contributions get a lot of publicity. For some obscure reason, however, the major campaign contributions are almost never mentioned. The largest campaign contributions are made by the US government for the purpose of aiding in the campaign of the incumbents.

I have obtained informal estimates of the cost of that part of the Congress budget which, in fact, as opposed to the law, is used for campaigning for re-election and the figure I have received is about two million dollars a year per Congressman. I have to admit that this is an estimate based on general knowledge by "well-informed people" but I think it is reasonable.

The President, of course, has immense resources for campaigning provided by the federal government. I have no idea how much one should say these are worth. He has special political advisors who are even called that in official titles, he has speech writers, and free access to all sorts of communication media. He is the only person in the world who has, not only one, but two 747s at his beck and call, and in general is supported by these methods far more than by campaign contributions. He and his opponent probably will get all of their campaign contributions out of the federal government too.

This gives the incumbents immense advantages over their opponents and indeed, is probably the reason that Congress is beginning to have so many people who stay many, many years. I heard that a few years ago, before the most recent revolution -- the election of the first Republican Congressional majority in over 40 years, that the turnover of the House of Representatives was lower than the turnover of the House of Lords.

No doubt this would, if anything, reduce the power of the lobbyists. The Congressman who depends primarily on the government for his campaign assistance does not really need campaign contributions, although of course, he will accept them with gratitude. The probable reason for the steady increase in the restrictions on campaign contributions in Congress is undoubtedly the realization that such restrictions handicap the person trying to unseat the incumbent and are rather unimportant for the incumbent himself.

Most of the campaign contributions are now formally reported and listed, although no doubt, some escape record. Here once again, these total amounts are trivial compared to the actual benefits obtained. I mentioned Chrysler above, think of General Motors when they had a choice between going bankrupt or getting the government to restrict the import of Japanese cars. Certainly they would have been willing to put up five or six billion dollars for the restriction and there is not the slightest evidence that they did.

Nevertheless, there must be very high costs here. The reason we know this is that we observe people like General Motors putting up new factories. Suppose that you are threatened by competition from a foreign source, let us say Toyota is threatening General Motors, which in fact it did. There are two alternatives, the first is to place a great deal of time and money into producing new and super-efficient factories which can undercut Toyota. This would have been hard, but I don't think impossible. The second is to get the government to restrict the import of Toyotas.

Sensible management would chose the cheaper of the two, and if we observe them sometimes putting up new factories, it must be because one way or another, getting the government to put restrictions on imports is sometimes more expensive than building the new factories. Workers in this area of research naturally wonder where is this large expense? I think I have worried about this problem more than anyone else, and I must admit that my answers are not as good as I would like.

The first thing to be said here, is that direct bribery seems to be unusual in the US and usually when it does occur, quite minor. I live near the Mexican border and I am aware of Mexican politics. Mexican congressmen do very much better than American congressmen. American congressmen normally retire as millionaires, but not much more. This seems to be fairly good evidence that they are not selling these immensely valuable projects.

I should say the same is true in general of American regulatory commissions although not necessarily municipal governments. The members of the Texas Railway Commission, who controlled oil production in Texas and conferred absolutely immense benefits on various oil producers, never showed any signs of becoming wealthy. It is true that members of the commission found themselves being entertained at places that they couldn't afford themselves,

but when they retired they fell back into an ordinary upper middle class living standard. Direct bribes, or for that matter, campaign contributions cannot account for these very large special privileges handed out to various people. Indeed, the activity of various well-intentioned lobbying groups to get the government to restrict direct payments of any sort; campaign contributions, elaborate entertainment, etc., seem very largely beside the point. The total amount spent here is really very small.

Of course, lobbying groups, such as Common Cause may change their positions quite radically if the Republicans maintain control of Congress. Distracting attention from the actual large expenditures that kept the incumbents in, was probably something that they at least mildly favored, perhaps subconsciously, while the incumbents had a Democratic majority. Common Cause, looking at a Republican majority (the Republicans have already cut back congressional privileges) might suddenly discover that the Congressmen are giving themselves very large advantages in the contest with nonincumbents.

But this does not solve the problem of how these things are paid for. The first thing to be said, is that the whole thing is very much of a gamble. It is not true that you can simply pay your money and get a guaranteed change. You pay your money and you get a chance of special government privileges. It is a clear cut example of a lottery and as in the lottery, those people who win, do very well, but the overwhelming majority of people lose.

As an example, the *New York Times* of September 13, 1995 carries in the upper-left hand corner of the front page an article entitled "Tobacco Companies Pump Cash Into Republican Party's Coffers." It denounces payments of a million and a half dollars from three large tobacco companies. The objective is apparently to prevent the Food and Drug Administration [FDA] from getting jurisdiction over tobacco. It is obvious that this is in fact a gamble, and the prospect that they will seriously change the likely outcome as a result of these payments is quite small. Hence, although eliminating the FDA would be worth literally, immense amounts of money to these companies, the investment is comparatively small.

If we look over the lists of lobbying organizations in Washington and consider the campaign contributions, etc., we will find that a great many of them don't get anything out of the government. They are people who have bought a losing ticket in the lottery. Obviously the costs of the losers should be included as well as the costs to the winners, if we are attempting to figure out how and how much the cost of obtaining these special privileges is. But even if we make this kind of adjustment, the amount seems to be very much smaller than one would expect.

After worrying and doing research about this problem for a good long time, I have derived two explanations. I have to admit that these explanations are not as satisfactory as I would like, but so far as I know, I am the only person who has produced any explanation at all. Most scholars simply ignore the problem.

The first possible explanation is simply that the supply curve for government action in response to lobbying is sharply bent as in Figure 1.

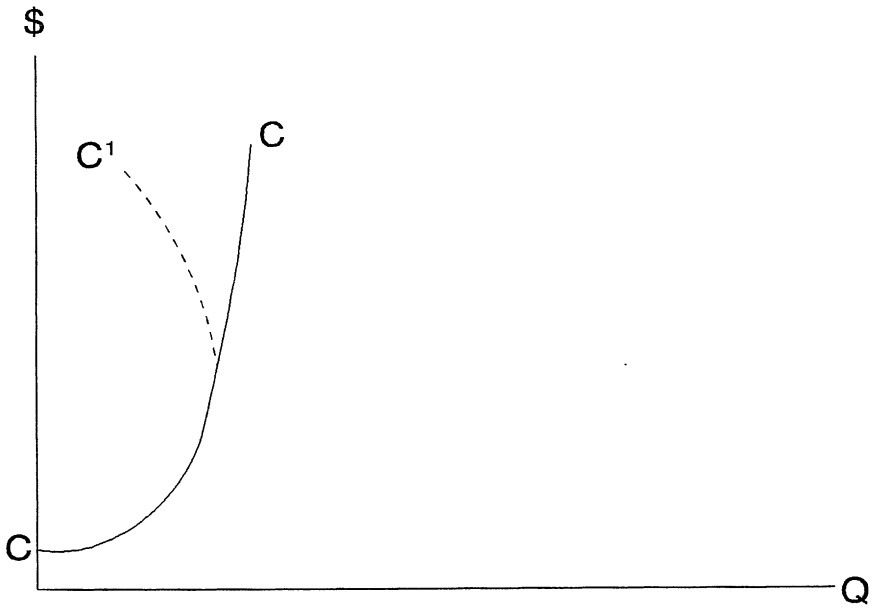

Figure 1. Supply of government action in response to lobbying.

Here small investments might be wise but the return falls off sharply. Indeed, as shown by the dotted line C^1, it may even be negative as large expenditures attract unfavorable media attention. Small investments by the lobbyists produce a relatively small return, but large investments don't produce any return at all.

We can think of it as being similar to starting a new store in a small town. The return on the first few dollars of investment may be very high, but as we expand the size of the store, the return falls off very quickly.

This suggestion would explain a good deal of the phenomena, of course, including the fact that there are many lobbying institutions which don't seem to get anything at all, but it is also ad hoc. I know of no empirical evidence one way or the other on it. Nevertheless, an ad hoc suggestion may be better than nothing.

My second explanation is rather simple. So simple that I am surprised it hasn't occurred to other people too. It is however, once again, something that is extremely difficult to test. In American politics the payoff to congressmen who decide that bread prices should be raised for the benefit of wheat farmers and to the injury of people who consume a lot of bread comes through the political process. They are paid in votes through log-rolling.

I should pause here and say that there is a special area in which the "poor," which oddly enough includes college students who have new cars, are to some extent protected by food stamps in the same legislation that creates the government crop programs. This is a deal between the farm congressmen and representatives of the inner cities.

Let us consider a terribly wasteful expenditure, the Central Arizona Project, and ask how did Congressman Udall, a highly-skilled political maneuverer, got this idiotic program through Congress. In this case I should say that due to the sinister plotting of various people at the University of Arizona, including Jimmye Hillman, Congress was better informed about the actual costs and benefits than usual. As far as I can see, this had absolutely no effect on their behavior.

The answer is fairly simple if we keep in mind that politicians like to keep their jobs. To repeat, the payoff comes in the form of votes. Congressman Udall was aware of the fact that some citizens of Arizona, particularly citizens of Phoenix, thought that the project would benefit them. And indeed, it has to some extent benefitted the citizens of Phoenix, but giving them cash payments five times as much as the benefit that they have received, would have been much cheaper for the federal government.

Let me temporarily assume that the project would make votes for Congressman Udall in Arizona without, for the time being, talking about the reasons that citizens of Arizona would vote for something which for many of them is a net detriment. In other words, simply assume the citizens of Arizona liked the project.

Congressman Udall then made trades with other Congressmen in which he voted for things that would benefit them in their particular district. To take one example that always amused me, he became a very firm friend of environmental groups who wanted to prevent the development of Alaska. This might conceivable have damaged him if he ran for president, which he thought of doing occasionally, but as long as he was simply a Congressman for Arizona, the irritation of the Alaskan voters was irrelevant to him.

It was interesting in this case that environmental groups and their Congressional representatives did not show any great signs of being upset by the Central Arizona Project, although it involved major engineering projects running through, what the environmentalists usually refer to as sensitive environments. Congressman Udall and the environmental groups had made sensible calculations in which they each sacrificed something in order to get what they thought was a greater good.[2]

Such trades are the life of democratic politics. They are particularly obvious in the US because of the fact that we have no strong party structure. In a place like England they will

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[2]The *New York Times* of November 15, 1995 carried a full page add opposing drilling for oil in Alaska. As part of the add they had a set of pictures of members of Congress listed as heroes of the anti-drilling movement. None of them were from Alaska.

take place in private committees within the parties rather than relatively openly, with most everybody being involved, as they are in the US.

In all of these cases it seems fairly certain, that the net cost for the citizens of the US as a whole is much higher than the net benefit of the group in the given constituency. Once again, the Central Arizona Project is a particularly clear-cut example although Phoenix does face some water problems which without the Central Arizona Project, would probably require that they raise the price of water. It is likely that some irrigation farmers will benefit from the project, but both of these benefits are very small compared to the cost.

Assume, as I am sure is true, that Congressman Udall included among his trades support for the various agricultural programs. It is likely that in net, the citizens of Arizona lost quite considerably from the whole package of things that were enacted.

Going back a little in time, Tulsa's deep water port and building a canal to parallel the Mississippi were equally wasteful projects. Although I have not looked the matter up, I would be willing to bet that Congressman Udall voted for both of them and that this gave him political leverage.

But why did the voters buy these projects? The first thing to be said about the voters of Arizona, and particularly in Udall's own district, is that if their congressmen refuse to enter into these trades this would mean that they would not get their local pork, but the reduction in pork for the country as a whole would be very slight. The cost to Udall's constituency would also be reduced but very slightly. The other congressmen would go through with their projects.

This may explain the otherwise mysterious phenomea where public opinion polls indicate that in general voters dislike Congress, but like their congressmen. They apparently realize that the whole thing is a bad bargain, but think that their congressman is doing his best for them, which, as a matter of fact, he normally is.

The whole thing is sufficiently negative in its effect on society, not just the people who eat avocados, but all sorts of other people, that one wonders why it isn't eliminated. There are two basic reasons for it: one of which deals with what is called in Public Choice "political ignorance," and the other with an application of "The Prisoners Dilemma." Let me begin with political ignorance.

Most of us know something about things that are going on in our government. We don't normally know very much, and we don't know very much on matters that effect us only slightly. The reason for all of this is that we are rational. If I devoted a lot of effort to becoming an expert on all the projects which are passed by the government[3] I would improve the quality of my vote. Since my vote has only something on the order of one in a million

[3]Assuming that is possible.

change of being decisive in an election, the present value of that gain to me would very much less than the cost.

There are two restrictions on this rational ignorance, one of a general, and one of a special nature. The first of the two general ones is that many people make politics a hobby. I presume that most of the people who are listening to this lecture, and later read it, are in that category. That doesn't mean that they know much about all aspects of politics.

As an example, consider me. Since I was in high school I have been deeply interested in foreign affairs and I think that I can claim that I am expert. This has little to do with my personal or professional life. It is a hobby, like my interest in biology.

I should say that even though I am by profession an economist, I never read the business pages of *The New York Times*, and never touch *The Wall Street Journal*. I am not interested in them. I don't think that I, or the US, loses from this since the prospect of my affecting politics by improving the quality of my vote on economic matters is so small.

Most people do know a certain amount about politics even if they are not following a hobby. After all they will see the headlines while turning to the sports section, and they talk about politics occasionally to pass the time in quiet conversations. Their information, in general, is very poor.

Many people as a result of simply pursuing some particular profession or living in a local district know a certain amount about what the government is doing with respect to that profession or district. Most farmers are reasonably well informed about the crop insurance programs, etc., and similarly the citizens of Tucson probably are at least reasonably well informed on the various prospects for improving our interstates. Most of this information isn't necessarily good, but it is better than our information on other things.

The result of this is an asymmetric set of information on political matters. The citizen of Tucson who had heard that the federal government was putting in a elaborate aqueduct system which would eventually deliver water to Tucson, and had not paid much attention to it, really didn't know much about it. In particular he didn't know that most of the experts on the subject at the University of Arizona, Tucson, thought this was going to injure him rather than benefit him, as it did. This asymmetrical information resulted in his being in favor of it.

Further, he had no idea of the various bargains Congressman Udall had made in order to get the matter through. Thus, from his standpoint he thought taxes were too high, and also the projects which he knew about were desirable.[4] Thus, we would anticipate voters in general would have asymmetrical pattern of information. This does not mean that the

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[4]I should say that, rather mysteriously, this same asymmetry doesn't seem to apply to tax deductions. This may be because of constitutional problems in the US, but in England where there is no such constitution it is very hard to explain why logrolling doesn't principally take the form of tax exemptions, rather than expenditures.

information is good even in the areas where they know more than elsewhere. This asymmetrical information tends to make them vote for congressmen who bring in things like the Central Arizona Project, or higher prices on avocados. Of course, the congressmen who get the votes on each of those issues are different.

So much for the information problem. Let us now turn to "The Prisoner's Dilemma." If we believe, as I am sure we should believe, that the sum total of all of these projects is substantially negative for almost every citizen in the US, why can't we get together and unanimously vote to throw them out?

There are some cases in which this has been attempted. President Reagan's tax reduction bill was an effort to do this, and did succeed in making our taxes a good deal less bad than they had been before. Many loopholes were closed and the general tax level correspondingly brought down. Unfortunately, Congress has been, again, behaving in its usual manner and added loopholes with the results that the basic rates had to be raised. However, it took some years and the initial progress was, in fact, real.

Lastly, there is Congressman Armey's program for getting military base closures and this is again a matter of getting a great number of people involved, all of whom lose with respect to one base, but gain from closure of all the others. By forcing a vote on the whole package instead of one at a time, he has been able to get a good many bases closed.

These are exceptional cases. Normally, this is not what happens and the reason is simply The Prisoner's Dilemma. It is to my advantage to have all of these things reduced. It would be more to my advantage if all of them except the tax exemption on mortgage interest were eliminated.

Each and every recipient of these special privileges is in a similar position. This leads to bargaining in which everybody tries to protect their own special interest, and is willing to buy off at least some other people in protecting that special interest. The end product of this complicated bargaining is that congressmen are able to stay in office and we all pay a very large amount of taxes for projects which are worth much less than they cost.

I have been talking about taxes, but regulations are the same. The decision that I can't eat cheap avocados may possibly be to some extent motivated by fear of insect pests, but other motives are much stronger.[5] At the moment many of these regulations have relatively little economic effect. They benefit emotional groups, like those that benefited by political correctness, or the environmental group, rather than straight economic special interest. That makes little or no difference in the way the political organization functions.

The problem with this explanation of where the costs come from, like my previous explanation, is that it is extremely difficult to see how one could test it. Further, as you

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[5]I understand at the moment the civil servants have said that possibly the Mexican avocados are free of insect pests. I don't imagine that Congress will go along.

probably know, I am not much of an empiricist myself and the other people working in this field don't seem to be even interested in the question. The proof that there must be costs somewhere is an essential part of the rent seeking literature. Anne Krueger, Bhagwati and I simply said that the entire package of the costs of rent seeking, i.e., the inframarginal area which is now frequently referred to as the Tullock Rectangle, was absorbed by efforts to get it. I believe this is indeed true, but proving it is another matter.

What I have been doing in this paper is suggesting several ways in which it could be present and which are not subject to blatant disproof. It is obvious, for example, that campaign expenditures are only a very small part of the total cost and hence, the view that campaign expenditures explain it, is easily disproved. If anyone in the audience, or any eventual readers of this paper has a better explanation than mine, I can assure them they will get very careful reading from at least one reader, Tullock, and that unless I find something ghastly wrong with it, I will regard the explanation as a great step forward. Still, the reason why we have these difficulties, the fact that there are costs, and people put resources into creating them, is clear and simple. Unfortunately, it is a little hard to put your finger on exactly where the cost is.

Thus, we see why we have these unfortunate arrangements, and I think we can see why Jimmye Hillman has so many enemies. He tended to get in the way of these special provisions, and hence created enemies. There is a book entitled "How to Win Friends and Influence People." Hillman never read it.