

## RESEARCH SUMMARY

## How Crony Capitalists Think: Attitudes about Markets, Government, and Government Favoritism

---

Government favoritism toward particular firms comes in many forms, such as direct loans, subsidies, bailouts, tax breaks, government-created monopoly, regulatory barriers to domestic competition, and tariffs or quotas on foreign competition. Such practices waste resources, stunt economic growth, encourage corruption, and violate standard notions of justice. They also confuse pro-market policies with pro-favored business policies.

What do those who benefit from government favoritism believe about favoritism? How do they view the role of the government and competition in the economy? Matthew D. Mitchell addresses these issues in *A Culture of Favoritism: Corporate Privilege and Beliefs about Markets and Government*.

### ASSESSING THE MINDSET OF FAVORED FIRMS

Mitchell worked with a public opinion firm to conduct a national survey of business leaders, focusing on those who believe they work for favored firms. Then he compared their attitudes to those of business leaders who do not believe their firms to be favored. The survey considers business leaders' views about markets, about government, and about favoritism itself.

Compared with other business leaders, the leaders of favored firms are more likely to agree with the following—sometimes contradictory—statements:

#### How Favored Firms Think about Markets

- Markets should be generally free (at least in the abstract), and a freer market serves the general public.
- But at present, the US market is *too* free, and competition is unfair to business.

#### How Favored Firms Think about Government

- Government should more heavily regulate markets.
- Regulations benefit consumers.
- Regulations benefit the economy.
- Competition is limited by government (they may view this as a good thing, given their belief that competition is unfair to business).

## How Favored Firms Think about Favoritism

- Government should favor specific businesses and industries.
- Markets should be free, and government should favor particular firms (a contradictory set of beliefs).
- Government assistance has a positive effect on the economy.
- Customer focus and a unique business model are not the most important factors in business success.
- The most important factors in business success are either knowledge of influential policymakers or government assistance.

## CONSEQUENCES OF FAVORITISM

In some quarters of the business world a culture exists that legitimizes government favoritism. It encourages business leaders to seek government privileges and policymakers to offer them. Not only is this culture of favoritism expensive to taxpayers and consumers, it may also undermine the public's faith in markets and economic freedom. If such attitudes persist or expand, then free, open, and competitive markets may be in peril. We risk stunted economic growth, wasted resources, and higher levels of corruption as a result.