

# CORRUPTION IS THE USE OF PUBLIC POSITION FOR PRIVATE GAIN

According to a [law journal article](#) by Zephyr Teachout, the Founding Fathers had a shared understanding of corruption.

To the Delegates, political corruption referred to self-serving use of public power for private ends, including, without limitation, bribery, public decisions to serve private wealth made because of dependent relationships, public decisions to serve executive power made because of dependent relationships, and use by public officials of their positions of power to become wealthy. P. 373-4.

Of course, the Supreme Court doesn't see it that way. The only form of corruption the politicians on the Court recognize is quid pro quo transactions, the formal exchange of value for taking a governmental action. This view carries over to the private sector. Only rarely are there prosecutions for kickbacks or other forms of corporate bribery because the laws are spotty, and anyway, who cares? The market, whatever that is, will take care of it.

The Ryan-Trump tax bill is an excellent example of of corruption in Teachout's sense. A number of senators received personal benefits from a provision which applies low pass-through tax rules to passive investments in real estate. This clause will not increase investment or jobs. It only benefits equity holders, including Tennessee Senator Bob Corker. For details, read the articles by [International Business Times' David Sirota](#). Corker and Hatch [deny](#) that they are corrupt but do not describe any benefit to ordinary Americans from the changes.

Another beneficiary of changes in the law is

Senator Ron Johnson, R-WI, who [owns interests](#) in a pass-through manufacturing business and [several](#) pass-through real estate businesses. Equity holders pay ordinary income tax on it at their personal rate. Johnson announced he wouldn't vote for the bill unless it benefited him; as well as anyone else who owned investments like his. He wanted a deduction of part of the income. Senate leadership eventually made an offer, there was bargaining, and eventually they settled on 20% of a number based on a [complicated formula involving wages and capital](#). Just as on the real estate side, this bill is just a gift to owners of unincorporated businesses. The value of their interests will go up and their taxes will go down, and nothing will change in terms of investments in the business. Johnson's explanation for this is not his personal wealth but the fact that business income is treated differently depending on the form of business organization. But the reason people choose non-corporate forms is the personal benefit, and Johnson doesn't explain this crucial difference or the impact of the changes.

It isn't only government officials who can use public positions for their personal benefit. In 2015, 58 university presidents made more than \$1 million. They must be really good at raising money. Fun fact: the ridiculous tax bill provides for a 1.4% tax on income from endowments greater than \$500,000 per students at schools with 500 or more students. The insufferable N. Gregory Mankiw is [perturbed](#). I say good. At least there is somewhat less incentive to raise vast sums of money at schools like [Notre Dame](#), which estimates its tax at \$6 to 9 million. Notre Dame spent \$354 million from its endowment which garnered about \$1.21 billion, if I read this right.

Corporate CEOs have reached even higher levels of compensation; so of course as a group they were proponents of this sickening bill. They'll get billions to use to pay shareholders with dividends and buybacks, and they'll benefit

handsomely from both, because almost all of them are big shareholders. They also love huge mergers, and once industries are consolidated, they raise prices in excess of costs which increases corporate income and thus their own. I wrote this [about drug companies](#) showing the details. And here's a disgusting [recent example](#).

I've focused on economic corruption, but abuse of power goes beyond economics; the most obvious arean is sexual predation. Others can do a better job explaining that kind of abuse so I'll just leave it there.

Many of the people in positions of authority in the corporate sector, the non-profit sector and the government sector use their positions for private gain. We can speculate about the reasons for it, and debate the extent of it. Maybe it's no worse now than before; it just seems worse because Trump is president. And of course, we aren't all corrupt, and we aren't all corrupt all the time. For those with some self respect or some self control, there is this sickening feeling of collapse.

I think that's because our public discourse is so barren. We have no vocabulary for analyzing the problem, or thinking about what we need to change. We think in terms of criminal law when we talk about corruption, and not the language of duty and responsibility. Let's stop doing that.

Corruption is the use of public positions of authority for private gain.