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The Jeremy Hunt affair is simply public choice in action [1]

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Poor Jeremy Hunt is perhaps the latest victim [3] of the Leveson Enquiry. Whether this is the end of a promising career or not remains to be seen ? politicians of any stripe love to clamour for a ministerial resignation and the Coalition is racking them up fast (I count three at cabinet level). Still, whatever the ins and outs of Mr Hunt?s involvement with News International and his relationship with James Murdoch, there can be only one clear conclusion: if politicians and bureaucrats are allowed to regulate markets, corruption, monopoly and loss of general welfare must be the result.

First of all, it is salutary to remember that this is not a party political issue. As evidence to the Leveson Enquiry itself shows, politicians are drawn to newspaper proprietors and editors like flies to the proverbial. The two have a symbiotic relationship with each other, and always have done. Clearly this relationship is the result of a classic public choice [4] style problem ? politicians have power but need votes and newspaper editors can deliver votes in exchange for a chance to influence how that power is directed. Of course, this is a very reductive description of the relationship but that is what it boils down to.

Such a relationship is evidently corrupting and open to the exploitation of special interests at the expense of general ones. How should we prevent this? Whilst party politics calls for the minister to fall on his sword, such an action will hardly prevent future occurrences. The general tone of public discourse suggests the introduction of rules, guidelines and procedures on ministers with greater bureaucratic control and less personal control by the minister. In many ways this represents the general trend of constitutional developments over the past 100 years or so. Powers should be vested in ?disinterested? civil servants or, better yet, in ?independent? Quangos like OFCOM or the Competition Commission, rather than politicians.

The bureaucratic solution, however, is no more acceptable ? as any fan of Yes Minister will confirm. Aside from the issues of democratic accountability such developments raise, we should remember that civil servants and bureaucrats are human beings and have a series of vested personal and ideological interests of their own. Bureaucratic rule-making is just as susceptible to corruption as ministerial rule-making. This is especially true in the case of newspapers, which are extremely well-placed to use their influence in order to promote their own interests. Again, the Leveson Enquiry shows us exactly this situation: journalists allegedly entering into corrupt relationships with police officers.

To suggest that newspapers themselves should be more strictly regulated is similarly fraught with danger. Regulators are, after all, highly susceptible to capture by large market occupants ? we see this is the revolving door that tends to exist between jobs in regulators and the large firms they regulate. However, even assuming that bureaucrats or ministers could be objective in their decision-making and chose the best number and size of firms in a particular market, their decisions will have unintended consequences. Compliance costs favour large firms who are better able to meet them and have more effective lobbying

organisations. This means that they can exclude market entrants, create an oligopolistic situation and drive up prices whilst preventing innovation. Large firms love big government and big government can only co-operate with large firms.*

Any serious examination of the implications of such behaviour suggests that the best means of limiting the prevalence of such relationships is to limit the power available to public officials, elected or otherwise. In this case, it means removing the ability of ministers or civil servants to make decisions regarding the size and shape of markets. This would eliminate both the public choice and the ?knowledge problem? effects outlined above. A minister or civil servant with little power to control outcomes is hardly likely to be a sensible target for corruption after all (this would bring the nice benefit that fewer civil servants represent a smaller drain on the public purse ? viz. the failed ?bonfire of the Quangos?, which failed because the functions of the Quangos themselves were not eliminated).

Of course, in the present state of our economy it is extremely difficult to eliminate competition authorities. The vast level of state interference, regulation and taxation creates a swathe of instances of anti-competitive behaviour and monopolistic markets ? conditions which simply would not exist under free markets. Open markets in the UK mean foreign state-backed monopolists can simply move in and create new monopoles. Vested interests mean that large companies and the bureaucrats that support them cry foul at any attempt to liberalise markets. At the same time, sincere but mis-guided ?Occupy?-type groups and celebrities call for more intensive regulation of various markets, thinking that this will result in more competition when we see exactly the reverse to be true. This is a very long way from the position of one embattled politician, corrupt or not, but it behoves us to remember Lord Acton?s dictum ?power corrupts, absolute power corrupts absolutely?. Without power there is no corruption.

**As an aside, we should bear in mind that the really dominant player in the broadcasting news market is not BSkyB, but the BBC which controls 60% of UK audience share. It is the presence of the BBC, paid for out of the licence fee, far more than that of Sky, paid for voluntarily by subscribers and advertisers, which distorts the broadcast market and prevents the emergence of real competition.*

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