This Is Why President Obama’s Speaking Fees Matter

The president of the United States makes an annual salary of $400,000 a year for doing one of the toughest jobs in the world. While the pay may seem relatively low compared to CEOs of major corporations, the real payoff for presidents comes once they exit the White House.

President Obama, for example, has been out of office for exactly 99 days and has already earned at least $800,000—two years’ worth of a president’s salary—for giving one speech and one interview.

Most of the reaction to Obama’s speaking fees has broken out along typical partisan lines. Fans of the former president merely shrug while his long-time critics feign outrage (even if they don’t know why they are mad). But many conservative critics of the president think the new money-making ventures are much ado about nothing. Some even say this is how the “market” works.

They are wrong. Such speaking fees are (at least potentially) a form of corruption. Here’s why.

The decisions and choices we make today can affect the options that become available to us in the future time. For example, I may spend less money today in order to be able to spend more at a future point in time, such as during retirement. The name for this economic concept is “intertemporal choice.”

What we expect or desire to happen in the future can affect the choices we make now. While this concept may appear obvious, it can have significant implications when we apply it to certain groups, such as politicians and government leaders.

Consider the problem of cronyism. Cronyism is a form of corruption that occurs when an individual or organization colludes with government officials to create legislation or regulations that give them forced benefits they could not have otherwise obtained voluntarily. But such cronyism doesn't have to occur directly. Intertemporal choices, as economist Bryan Caplan explains, can lead to intertemporal corruption:

> If a major corporation gives a U.S. senator a ten-million-dollar "gift," it's likely to be punished as corruption. It doesn't matter if the corporation protests, "We're only expressing our affection for this fine senator" or if the senator bellows, "How dare you claim my vote is for sale!" However, if the same senator retires, and the major corporation gives him a ten-million-dollar sinecure on its Board of Directors, it's perfectly legal—and few demur.
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> The painfully obvious flaw with both norms: Intertemporal corruption is a wonderful substitute for ordinary corruption. A professor is unlikely to give an F to his current girlfriend; but he's also unlikely to give an F to his future girlfriend. A senator is unlikely to vote against a corporation that gives him millions of dollars; but he's also unlikely to vote against a corporation that's going to give him millions of dollars. What comes around, goes around.

If President Obama had collected a $400,000 fee from the founders of Solyndra, the failed energy company that left taxpayers liable for $535 million in federal guarantees, the corruption would be obvious. But because he is taking money from companies that benefited from his policies in less obvious ways, we assume no corruption has occurred.

And maybe it hasn't. Maybe Obama never made a decision while he was president in which he considered how it would affect his future finances. But even if he didn't, he's sending a signal to future presidents (just as Bill Clinton did) that if you play your cards right, your tenure in the White House is an assured path to multi-millionaire status.

This is also why former U.S. military generals should not be accepting “speaking fees” from foreign countries. Even if Lt. Gen. Michael Flynn did nothing wrong in collecting $45,000 for giving a speech to a Russian propaganda outlet, he set a standard for those who will come after him. If you believe there’s the potential to someday get rich off your country’s adversaries, then you may be tempted to promote policies that are in their interest and not in the national interest of the United States.

The signals we send matter, especially to politicians and government leaders. And if we signal to them that intertermporal corruption is a shrug-worthy offense, we should expect to see more of this type of cronyism in the future.

Joe Carter *is a Senior Editor at the Acton Institute. Joe also serves as an editor at The Gospel Coalition, as a communications specialist for the Ethics and Religious Liberty Commission of the Southern Baptist Convention and as an adjunct professor of journalism at Patrick Henry College. He is the editor of the* NIV Lifehacks Bible *and co-author of* How to Argue like Jesus: Learning Persuasion from History’s Greatest Communicator *(Crossway).*

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