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Subsidies Galore: Corporate Welfare For Politically-Connected Businesses Is Bipartisan

Doug Bandow

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Congress created the usual special interest frenzy with its latest iteration of the Farm Bill. Agricultural subsidies are one of the most important examples of corporate welfare, money handed out to businesses based on political connections.

Business plays a vital role in a free market. In real capitalism there are no guaranteed profits. But corporate welfare eliminates this handicap for the well-connected.

Business subsidies that allow politicians to channel economic resources toward their preferred ends distort investment and trade. Moreover, turning government into an engine of illicit profit encourages what economists call rent-seeking. Well-organized special interests usually triumph over the broader public and national interest.

Aid comes in many forms.

Agriculture has spawned a gaggle of sometimes bizarre subsidies. Like a dairy program which created milk surpluses, in turn encouraging state price fixing, generating massive cheese stockpiles, in turn triggering giveaways to the poor. Payments, loans, crop insurance, import quotas, and more underwrite farmers.

Money also goes to agricultural enterprises through the Rural Business-Cooperative Service, which supports "business development." The recently defeated Farm Bill even included \$65 million in special health care subsidies for agricultural associations. Ironically, farm households enjoy higher median income and wealth than non-farm households.

The Market Access Program is one of several initiatives to subsidize agricultural exports. Other programs support general trade and investment.

For instance, the Export-Import Bank is known as Boeing's Bank. It provides cheap credit for foreign buyers of American products. Which, ironically, gives foreign firms an advantage over

U.S. producers who must pay full fare. Ex-Im's biggest beneficiary in recent years has been China, especially its state-owned firms.

The Overseas Private Investment Corporation underwrites U.S. investment in potentially unstable nations. If the project pays off, investors win. If not, the rest of us lose. Why should the public guarantee investor profits?

At the other end of the commercial spectrum is the Small Business Administration. Smaller firms are a vital part of the American economy but they are not an underserved market. There is no dearth of, say, liquor stores. SBA is a response to a political opportunity, not an economic need.

Much corporate welfare is disguised in broader terms. The Commerce Department's Economic Development Administration subsidizes "development" in "distressed communities," meaning the agency underwrites business, with dubious results. There are some 180 federal pork barrel "economic development" programs.

The Rural Utilities Service (formerly the Rural Electrification Administration), continues, never mind that rural America got electricity decades ago. Today RUS has expanded into Broadband internet and even television service.

The Bureau of Land Management (mis)manages federal lands, subsidizing use of rangeland by ranchers, for instance. There are incentives for airline companies to serve small markets. Foreign Military Financing is presented as a national defense measure, but in most cases the chief beneficiaries are arms makers.

Housing subsidies are many, most notably mortgage support and tax preferences, though the latter was trimmed by last year's tax bill. The Trump administration is pushing subsidies for what the president calls "beautiful" coal power plants.

Federal research and development offers bountiful benefits to business. The more basic the R&D, the better the argument that the public interest is being served. The closer to commercialization, the more the expenditures are essentially corporate welfare.

For example, the Obama administration funneled \$535 million worth of loan guarantees to Solyndra, which President Barack Obama called an "engine of economic growth." The company filed for bankruptcy in 2011.

Tesla Syndrome

The Advanced Technology Vehicles Manufacturing program provides \$25 billion in loans for development of cars powered by alternative fuels. Tesla is a major beneficiary. Some firms enjoy multiple benefits.

Although most public attention falls on direct expenditures, trade "protection" is no less a form of corporate welfare. Both tariffs and quotas allow domestic manufacturers to charge more. Tariffs and other fees alone come to around \$40 billion a year.

Tax preferences are another means of corporate welfare. Buried in the tax code, they often are difficult to identify. Measures which affect only one firm or industry, in contrast to those with

general economic impact, should be treated as subsidies. The Tax Foundation once figured "special tax provisions" to cost more than \$100 billion annually in lost revenue.

States and localities also offer subsidies, many through grants, free property, and tax preferences to attract businesses to a particular area. Estimates of these costs run between around \$50 billion and \$80 billion.

Few in Washington really want to cut spending. But ending corporate welfare would be a start to restoring fiscal sanity in Washington.

Bandow is a senior fellow at the Cato Institute. A former special assistant to President Ronald Reagan, he is author of "The Politics of Plunder: Misgovernment in Washington." Adapted from a longer article in The American Conservative magazine.