Duluth News Tribune

Local view: When and where welfare went wrong

By Bernie Hughes
August 7, 2014

Welfare was once thought of in our country as help for the poor and needy. Capitalism — with an increasing emphasis on money, industrial consolidation and power — has crept up on us. With money and power our welfare system quietly and unobtrusively has become rigged. Democratic Sen. Elizabeth Warren of Massachusetts is uncovering and reporting more of that, as Independent Sen. Bernie Sanders of Vermont did before her.

I'd like to help. Why? Because of our increasing and immoral income inequality. The gap would be narrowing rather than widening if the 1 percent paid its fair share of taxes.

We see frequent opinion pieces describing why our welfare for the poor and needy is raising our taxes. Conservative commentator Ann Coulter and many others put that low-end welfare segment to frequent scrutiny. They recognize that much goes to the poor and needy while way too much goes to those who are just plain lazy and unwilling-to-work leeches.

There is some of that, no doubt, but corporations have negative exceptions, too.

Our congressional representatives need financial help to get elected and to continue being re-elected. Small donors help, but real money is needed, and the Supreme Court's Citizens United ruling made that available. People with big money are anxious to support representatives who support them. The writing on the wall is easily discovered, but too many of our voters are too busy carrying on their own lives to vote. So, expensive and frequent bombardments of ads, lobbyists and tax lawyers prove most effective.

What has that big money accomplished in today's government? The following points provide only a taste of what has become welfare for the wealthy.

The U.S. distributes large sums of money to relatively prosperous people in the form of tax relief for mortgage holders and financial assistance and subsidies for agricultural and energy sectors. The total of all exemptions offered is around $1.3 trillion, according to the July/August issue of Foreign Affairs.

Direct federal subsidies are given to corporations. The Cato Institute estimates federal subsidies to corporations cost taxpayers almost $100 billion every year while saving these corporations $200 billion annually, according to the U.S. Government Accountability Office.

Federal tax breaks also are given to corporations. The tax code gives corporations special tax breaks to reduce what is supposed to be a 35 percent tax rate. The actual tax rate is 13 percent.

The fast-food industry enjoys subsidies. Research by the University of Illinois and University of California-Berkeley documents how taxpayers pay about $243 billion each year in indirect subsidies to the fast-food industry. The industry pays wages so low taxpayers must put up that $243 billion to pay for public benefits for their workers. Free-market guarantee? You tell me.

The billions above do not even count the government bailout of Wall Street. The Atlantic Monthly estimates that $7.6 trillion was made available by the Federal Reserve to banks, financial firms and investors in the bailout. The Cato Institute estimated, using government figures, the final cost at $32 billion to $68 billion, not including the takeover of Fannie Mae and Freddie Mac, which cost more than $180 billion.

Each major piece of legislation contains new welfare for the rich and corporations. The Boston Globe analyzed the emergency tax legislation passed by Congress in early 2013 and found it contained 43 business and energy tax breaks worth $67 billion.

You and I would be prosecuted for small criminalities. Huge corporations get by paying fees and fines. For example, J.P. Morgan Chase paid a preliminary $13 billion, saving it $4 billion. Corporate jets cost taxpayers $3 billion a year and second homes $8 billion. Too big to fail? Evidently! Fifty billionaires received tax-funded farm subsidies in the past 20 years.

It’s welfare as we know it — now.