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Hinkle: Cut welfare to foreign companies

By A. Barton Hinkle

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America's biggest welfare queen is someone you've probably never heard of. She's Hispanic. She's been living off other people's hard-earned tax money for years. And she's gotten rich doing it.

Her name is Iberdrola. She's a Spanish energy company that has invested in U.S. power facilities. And according to the advocacy group Good Jobs First, a watchdog outfit that tracks business incentives, she's raked in more than $2 billion from Uncle Sam in just the past few years.

Good Jobs First maintains a subsidy tracker where you can look up which companies are getting rich from public funds. It recently issued a report on "Uncle Sam's Favorite Corporations" — the companies that have gained the most from federal grants, special tax preferences, loans and loan guarantees.

The biggest beneficiaries ("by an order of magnitude") are Bank of America, Citigroup, and other major financial institutions that were bailed out during the 2008 financial crisis. The Federal Reserve, the Troubled Asset Relief Program and so on threw trillions of dollars at U.S. and foreign banks in a desperate effort to stabilize the financial system. It worked. In many cases (though not all), the institutions repaid the money. In some cases the federal government actually earned a profit.

But hundreds of other companies have raked in billions of dollars in direct grants. Along with Iberdrola, companies such as NextEra Energy, NRG Energy, Southern Company, Summit Power and SCS Energy all have reaped more than $1 billion in federal largess, often receiving payments through programs meant to boost renewable energy.

At the same time, many coal companies have taken huge sums from Washington through grants and coal production tax credits. So, as with farm programs — some of which subsidize farmers to farm more and some of which pay farmers to not farm at all — Washington thwarts its own objectives by subsidizing both renewable fuel sources and the fossil fuels they're supposed to replace.

In fact, Good Jobs First didn't even bother to include farm subsidies in its report on the "subsidy-industrial complex," because other organizations (such as the Environmental Working Group) already cover that ground quite thoroughly. Yet that still left Good Jobs First with more than 1,000 federal programs to comb through. Having done so, it was able to tally 164,000 individual subsidies of one sort or another.

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Now, some of those "subsidies" are tax credits directed at individual economic actors (as opposed to a tax credit available to all businesses), which leads the group to overstate the actual amount of subsidization going on. Letting a company keep some of its own money is not the same thing as giving it money taken from others.

Budget discussions often ignore that distinction, and some budget wonks even talk about tax breaks as "tax expenditures." But that misrepresents what is actually going on, because it takes a government's-eye view of things that treats all wealth as belonging first to Uncle Sam, who then divvies it up among various beneficiaries, one of whom is the people who actually earned it. It also leads to the illogical conclusion that raising taxes is synonymous with saving money.

Still, the Good Jobs First report reveals to an embarrassing degree just how much the federal government props up what are supposed to be private enterprises. A single section of one federal law — Section 1603 of the 2009 American Recovery and Reinvestment Act (ARRA) — has ladled out more than $23 billion to corporations, including $473 million to Duke Energy and $208 million to Exelon. A Portuguese company, EDP-Energias, has reaped more than $722 million through that section.

Then there are the companies that get their federal money from a wider array of sources. General Electric has received hundreds of millions in Energy Department, Commerce Department and other agency funds. What's more, the handouts go mostly to some of America's biggest and richest corporations: Nearly half of all the funding flows to Fortune 500 companies. And the federal government is giving money to plenty of foreign corporations as well — including Toshiba, EDF-Electricite de France, and Siemens. (Smaller domestic beneficiaries include Dominion Resources and companies owned by Berkshire Hathaway, parent company of The Times-Dispatch.)

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And remember: All of this is merely the federal side of the subsidy-industrial complex. States and local governments have thrown huge sums at big corporations, too.

Good Jobs First's report on those subsidies found states have handed out tens of billions of dollars through "megadeals" valued at $75 million and up — sometimes way up: Washington

State handed over $8.7 billion to Boeing. In fiscal 2014 Boeing also had $18 billion in federal contracts, and over the past 15 years has collected $457 million in federal grants.

Good Jobs First is not optimistic about shutting off the spigot of taxpayer money anytime soon. It notes that other organizations, such as the Cato Institute, have been documenting egregious levels of corporate welfare for decades, with little to show for it except acid indigestion. Still, those looking for signs of hope can find at least one or two.

First, more states and localities have come to the realization that huge subsidies for pro sports stadiums and Hollywood movie shoots are suckers' bets. They may get around to extending the economic reasoning to other corporate handouts, too.

What's more, a recent public-opinion survey (the General Social Survey) found, as always, that Americans want government to spend more and tax less. Yet the public is broadly supportive of spending cuts in two relevant areas: welfare and foreign aid.

Slashing federal subsidies would cut corporate welfare, including welfare for foreign companies. Two birds. One stone. What's not to like?