4 Ways Business Friendly Policies Have Backfired

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1. Subsidies

The U.S. government annually hands out billions upon billions in corporate subsidies to American businesses, designed to spur innovation and incentivize research and development of products that will have societal benefits. While not a terrible plan on the surface, this policy has led to a type of corporate welfare state in which highly profitable companies take huge sums of taxpayer money, oftentimes lining its own pockets with it as opposed to reinvesting earnings back into the country. *The Cato Institute* says that for the fiscal year of 2006, the government handed out $92 billion in corporate subsidies, by no means a small amount.

As we've explored prior, some of the biggest companies in America are on the receiving end of taxpayer-funded handouts. The most egregious of these companies is Boeing (NYSE:BA), which pulls in way more in subsidies than any other company by far. In 2013, the aerospace giant pulled in more than $13 billion in taxpayer money, and was handed the biggest tax break in U.S. history by legislators in Washington state. The result was that Boeing proceeded to lay off droves of employees and shift manufacturing to less costly areas.

By giving out giant subsidies to companies like Boeing with no strings attached, the government is enabling corporate behavior that is destructive and parasitic. It's been found that corporate giveaways already vastly outweigh the amount going towards public assistance programs, which many people have grown to depend on, especially after the financial crisis. One way to cut back the national budget and help shrink the deficit would be to end corporate subsidization, or at least put into place some major reconstruction of the system.

2. Workers' Rights Laws

One very recent issue that has been in the headlines is that of workers' rights. This can encompass a number of sub-issues, including minimum wage laws and unemployment benefits. There have been some big victories for labor parties in recent months, most prominently the passing of a $15 per hour minimum wage in Seattle, making it the highest in the nation. The initiative was passed the Seattle's city council, much to the dismay of business leaders and conservative commentators.

The fact is, over the past few decades as productivity has skyrocketed and wages have stagnated, $15 per hour may even be a bit too low. The new wage law has been hailed as a job killer in the city, and many are primed to watch what happens as the wage increases are implemented over the next few years. The new law will definitely have some unintended side effects, but because of legislator's inaction to pass laws to make sure workers are guaranteed a living wage over the past several years, it appears the people of Seattle felt drastic action was required.

By failing to act on issues like the minimum wage, state and federal government agencies have been able to keep labor costs relatively low for businesses, with the goal of making jobs more readily available and the prices of goods and services down. This has resulted with a disproportionate number of people living in poverty, or becoming stuck in dead-end jobs with little to no economic mobility. The time for wage increases has long past, and now local governments, like that in Seattle, are having to make their own drastic attempts to play catch up.

3. Loose Regulations

It can be argued that government regulations, or a lack thereof, were a big factor in the 2008 financial crisis. This logic can be traced back to the repealing of the Glass-Steagall Act in 1999, which required the separation of commercial and investment banking by financial institutions. With the law off the books, financial companies were able to, at its root, gamble away the retirement savings of its customers on the markets, and engage in predatory lending practices that were not only risky, but primed to fail when customers ultimately defaulted on their loans.

The most recent example of big business calling foul on regulatory plans is the announcement by President Obama to have energy companies, coal-fired power plants in particular, cut 30 percent of carbon emissions over coming years. This has led to a full-fledged freak out of paranoia, stirring up worries of insane price increases and job losses as a result. However, as the world comes to terms with the very real and very serious threat of global climate change, tough regulatory policies are what is needed to spur change.

Without strong government enforcement through regulation, it has been shown in the past that big business will run wild, doing anything and everything to maximize profits and keep shareholders happy. This all comes with at the expense of everyone else, who have to live with poisoned drinking water, have their houses foreclosed on (sometimes mistakenly), and will need to live with rising sea levels and severe weather. While tightening regulations will have some side effects in the form of cost increases and other economic backlash, providing corporations with a completely free market could have even more drastic consequences.

4. Tax Loopholes

Perhaps the most obvious of all ways government can enact damaging economic policy is by refusing to close tax loopholes for corporations and the country's highest earners. There are examples of companies that, while should in all likelihood be paying the 39.1 percent corporate tax rate in the U.S., are actually receiving money *back* instead. According to *The Tax Foundation*, U.S. companies are currently subjected to the highest tax rates in the world, but few actually end up coughing up what they owe.

Through a combination of tax breaks and loopholes, big businesses are able to skirt tax bills by employing various methods. Some companies, like Apple (NASDAQ:AAPL) for example, use overseas tax havens like Ireland to place their holdings and are able to avoid taxation. Apple isn't alone, though. According to *USA Today*, 58 companies among the S&P 500 have an effective tax rate of 0 percent, and in some cases lower than that. In fact, there are some companies that make Apple look like responsible corporate citizens in comparison.

As large corporations are able to get away without paying taxes, ordinary citizens are often stuck picking up the slack. By completely negating its tax bills, big businesses are able to take advantage of the use of public roads to transport goods, public schools to train employees, and public resources like water and electricity to conduct operations — all without chipping in to pay for them.

Allowing companies to get away with not paying taxes does help the bottom line of many businesses, and allows it to allocate resources to other areas. Yes, this could, in theory, have economic benefits. But the cost to society is too high to allow it to continue. Schools are severely underfunded and infrastructure is crumbling around the country. Federal agencies need to recognize that it's time to swing some clout back in favor of the citizens, as becoming a little too business friendly is having serious economic consequences.