OUR VOICE, GUEST EDITORIAL BY GEORGE CURRY, "DEMOCRATS AND REPUBLICANS SHOULD END CORPORATE WELFARE", WEEK OF FEBRUARY 3-9, 2011

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Speaker of the House John Boehner wants to cut at least $100 billion from the federal budget. President Obama agrees that there should be some spending reductions, but the budget shouldn't be balanced on the backs of poor and working-class Americans. There is a way that both camps can have their way - end corporate welfare.

According to the Cato Institute, a libertarian policy group in Washington, corporate welfare cost American taxpayers $92 billion in fiscal 2006, a figure that has grown to approximately $125 billion per year. And, the beneficiaries include such major companies as Boeing, Xerox, IBM, Motorola, Dow Chemical, and General Electric.

The Cato Institute defined corporate welfare as "any federal spending program that provides payments or unique benefits and advantages to specific companies or industries." Stephen Slivinski, director of budget studies of the think tank, conducted a detailed policy analysis of the issue in 2007 titled, "The corporate Welfare State: How the Federal Government Subsidizes U.S. Businesses.

The report shows that despite all of the public pleas for the federal government to play a reduced role in private businesses, many Fortune 500 companies are using the federal government as their personal ATMs and have made no moves to get off of the dole.

In fiscal 2006, the study found, the federal government spent $92 billion in direct and indirect subsidies to businesses and private-sector corporate entities.

"Supporters of corporate welfare programs often justify them as remedying some sort of market failure," the report stated. "Often the market failures on which the programs are predicated are either overblown or don't exist."

That notwithstanding, the report is replete with examples of the type of wasteful government spending that both Democrats and Republicans pretend to abhor. The largest subsidies studied in the report were granted by the Department of Agriculture ($43.7 billion). Much smaller subsidies were provided by the Department of Defense ($11.8 billion), the Department of Transportation ($5.7 billion), the Department of Housing and Urban Development ($5.1 billion) and the State Department ($4.6 billion).

The Export-Import Bank is a perfect example of unjustified federal spending.

The stated purpose of the bank is to finance the purchase of U.S. goods in foreign countries. Its 2008 budget request said it was needed "to sustain U.S. jobs by financing U.S. exports."

The Ex-Im Bank, as it is known, does that "by using taxpayer money to subsidize loans to foreign purchasers of U.S. products and to provide loans and loan guarantees to U.S. companies seeking to enter the export market. It also provides insurance for companies investing overseas," the Cato report stated.

Boeing, the aircraft giant, receives 54.5 percent of long-term guarantees, causing some to refer to the Export-Import Bank as "Boeing's Bank." Other major recipients include General Electric and Conoco Phillips.

"Supporters of the Ex-Im Bank suggest that government credit is needed to level the playing field for U.S. companies as they compete against foreign countries that receive support from their government. Yet, the Ex-Im Bank's most recent annual Competitiveness Report points out that fewer than one-third of all its loans and guarantees go to counter subsidized competition."

The Department of Agriculture's Farm Service Agency Market Access Program "provides the trade associations of private agricultural firms with taxpayer dollars to help offset their foreign advertising cost," the study noted. "At least 20 percent of this spending goes to promote brand-name products overseas."

Why should American taxpayers subsidize the foreign advertising budgets of McDonalds, General Mills, Campbell's Soup, Pillsbury, Miller's beer and Gallo wines, as has been the case in the past?

The largest direct subsidy program in the federal budget is for crop and farm subsidies. Even though Congress voted in the late 1980s to phase out agricultural subsidies, they have instead increased during the past years, rising from $9.3 billion in 1990 to $24.3 billion in 2005.

According to the study, the proportion of Americans living on farms has declined 16.3 percent in 1948 to approximately two percent in 40 years. Yet, because of technology, farm productivity is at its highest level.

Most farmers don't receive direct subsidies from the federal government," the report states. "The taxpayer-financed handouts go to only about one-third of the nation's farmers and ranchers. So, where does all the taxpayer money spent on farmers actually go? Mainly to large corporate agribusinesses and the richest farmers. In 2005…the richest 10 percent of all subsidy recipients received 66 percent of all subsidies."

Cash-strapped states will be forced to re-examine state corporate welfare. In Pennsylvania, for example, the state provided more than $40 million in subsidies to a Sony plant, only to see it leave the state just as Volkswagen, the previous owner of the site, had done earlier.

Recognizing the powerful intersection of lobbyists, elected officials and money, the Cato report recognized that reforming corporate welfare is not likely to come about through the works of federal lawmakers heavily influenced by lobbyists. It therefore recommended creating a corporate welfare reform commission. But given the success of Obama's high-profile deficit commission, his eagerness to make peace with the business community and the Republicans' traditional pro-business positions, Congress and the executive branch are unlikely consider ending corporate welfare as we know it.

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