

Wagener: Quit babying big business

Praxis Makes Perfect

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Socialist Senator Bernie Sanders (I-Vt.) is an unlikely ally of the libertarian CATO Institute, but one issue has managed to bring their views near lockstep: corporate welfare. Corporate welfare, the use of specialized grants and tax breaks targeted at specific corporations or industries, is a massive expense at a time when the federal government must borrow more than \$1 trillion each year to finance its day-to-day operations. The CATO Institute estimates that the government spends \$92 billion per year on corporate grants and Sen. Sanders cites billions more from specialized tax breaks and loopholes for favored industries. Despite this seemingly obvious target for bringing down spending, however, current debates in Congress on reducing the deficit are centered almost entirely on either increasing taxes on personal incomes or cutting actual government services.

I'm no fan of big government, but it seems abhorrent that both political parties are sufficiently in the thrall of special interests that they would rather throw individual taxpayers under the bus or excessively cut government services rather than simply trim the special-interest pork. So where is this corporate welfare money going that makes it so difficult to cut?

Twenty-one billion dollars goes to large agribusinesses alone under the guise of helping poor farmers. That claim withers when you consider that most of the money is spent on price supports for crops — and most crops are produced by highly efficient agribusiness giants, not mom-and-pop farmers. CATO estimates that 66 percent of all farm subsidies go to large agribusinesses, meaning that taxpayers are shelling out \$14 billion per year to increase the profit margins of big businesses.

Another massive share of spending goes to specially-targeted tax breaks. The United States officially has a 35 percent corporate income tax for big businesses, a level that is high enough that many fiscal conservatives have advocated significant reductions for years. However, rather than lowering taxes for all businesses to generally encourage a pro-growth, pro-business climate, Congress has seen fit to carve out special tax breaks for specific industries. In other words, America gets none of the benefits to growth and employment of having a flat, low corporate tax rate, but taxpayers are left saddled with the costs of these “tax expenditures” to the tune of tens of billions of dollars per year.

Senator Sanders' list of corporate tax break recipients includes Goldman Sachs — which paid only 1.1 percent of its profits in taxes — multiple other major banks, and several major oil and gas conglomerates, most of which actually paid zero dollars or received

more in grants than they paid in income taxes. Corporate lobbying appears to be paying off quite well for banks and resource extraction companies, given that they dominate lists of preferentially treated firms — and such figures don't take into account the \$1 trillion bailout of banks in 2008 and 2009.

Reports from government watchdog groups and think tanks like CATO describe thousands of similar goodies doled out each year for specific industries and firms, and they paint an ugly picture: An indefensibly apathetic American public is being subjected to some mix of future tax increases and service reductions in order to pad the wallets of some of the largest corporations in the country. Reasonable self-interest would seem to compel the American people to action, but instead, they seem content to let congressmen, who appear to be wholly owned subsidiaries of many of these special interests, debate how to squeeze the public rather than starve the hog feeding from the public trough. At a time when people should be more sensitive to expensive government handouts to “too big to fail” industries, it seems ludicrous that a business-government complex with benefits for just a handful and costs born by all taxpayers would escape the critical eye and just wrath of the public.

No pragmatic person can ever expect government to completely eliminate corrupt bargains between politicians and the powerful, but such bargains can be made more limited in scope and thus less harmful. America desperately needs to make budget cuts in order to avert disastrous income tax increases or fiscal ruin, and no doubt some painful cuts to services and entitlements will have to be made. Eliminating the undeserved, market-distorting privileges enjoyed by a few, however, can dramatically reduce the pain of the many. Corporate welfare can and must be reduced in size and scope if we are to bring our fiscal house in order in a socially responsible way and bring back a fully-functional free market.

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