

Stephen Moore: Big business, big handouts

BY STEPHEN MOORE

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The corrupt practice of Washington politicians spending tax dollars to help private industry with subsidies, grants and loans is as old as the federal government itself. What's equally old and battle-tested is the lesson that Washington never seems to learn: When it comes to picking business winners and losers, Congress and the White House almost always wind up picking losers.

This is the central message of a readable new book by Burton and Anita Folsom, "Uncle Sam Can't Count," a history of federal subsidies to big business. The authors document that the first industry to get special assistance from government was the fur trade, trappers who sold beaver pelts.

Next came steamship building, followed by the intercontinental railroads, and then subsidies to build the world's first airplane. In each case, the hand-picked, can't-miss, welfare-recipient companies failed, and unsubsidised rivals took command of the market.

The railroads that avoided bankruptcy and bailouts were privately funded. Even more amazing: The experts in Washington ignored the airplane the uncredentialed Wright brothers were inventing in North Carolina and bestowed millions of tax dollars (and this was when "millions" was a lot money) upon a rival with the expertise and intellect to make this man-made bird fly by propelling it through the air in a giant slingshot contraption. On multiple occasions, this "plane" gloriously coasted a few hundred feet and ignominiously crashed to the ground.

"The subsidies actually ended up inhibiting these markets from developing," says Mr. Folsom. "It's amazing the government has such an unblemished record throughout history of betting on the wrong horse."

Fast forward to the 21st century. In the weeks ahead, Congress will decide on whether to keep doling out tax dollars to the Export-Import Bank – a federal agency that subsidizes U.S. exports – and the Overseas Private Investment Corp. About half the cash from the Ex-Im Bank goes to

just a few Fortune 50 giants, like Boeing and General Electric. The excuse is always the same: We should give corporate handouts to our companies because foreigners do the same for theirs.

But, as Utah Sen. Mike Lee notes, “We’ll never sell our agenda on welfare reform as Republicans until we show Americans we can get Big Business off the dole.” That’s true; too bad so few of his colleagues agree with him.

Some respond that the money paid out in business favors is too small to make a fiscal difference in balancing the budget. Nonsense. Corporate welfare is a surprisingly large, though well-hidden, stash of cash, estimated at about \$100 billion a year, according to a study by the Cato Institute.

An Illinois-based watchdog group, Open the Books, this year scrupulously tallied up all federal grants, loans, direct payments and insurance subsidies flowing to individuals and companies. It examined all accounts, from the Commerce Department to the Transportation Department, and found that corporate welfare payments from the federal government to firms ranked in the Fortune 100 totaled \$1.2 trillion. I recommend a visit to www.openthebooks.com to see where your tax dollars go.

Most of that \$1.2 trillion was for contracts between private firms, like Lockheed Martin and General Dynamics, and government agencies, like the Defense Department. But the tally does not include the hundreds of billions of dollars in housing, bank and auto company bailouts in 2008-09, or special mandates for ethanol producers, like Archer Daniels Midland, or special tax breaks for wind and solar manufacturers.

But about \$21.3 billion was doled out in the form of outright income transfer subsidies to corporate America. On average, each Fortune 100 company received about \$200 million in such handouts. The table below shows a list of the major corporate welfare queens.

FEDERAL GRANT RECIPIENTS

2000-12

(in millions)

General Electric: \$380

General Motors: \$370

Boeing: \$264

Archer Daniels Midland: \$174

United Technologies: \$160

Source: Open the Books, 2014

Perhaps the most depressing statistic is that all but one of the Fortune 100 stood in the federal soup line to take at least some form of benefit. That means 99 percent of the biggest U.S. companies are on the dole.

Redirect the money

Here's a pro-growth idea. How about eliminating all these grants and subsidies and using the savings to cut the federal corporate income tax in half? It would be a good trade, but would the corporate welfare recipients take it?

It's a pretty safe bet that we're never going to balance our budget in Washington until our elected officials get Big Business off the dole. House Budget Committee Chairman Paul Ryan wants to do that. So do Sens. Lee and Rand Paul of Kentucky. They are lonely voices in the GOP.

A big test will come soon when Republicans have to vote on whether to terminate the Export-Import Bank. If they side with Boeing over middle-class taxpayers, they'll have a hard time persuading voters they deserve to return to power as the governing party in Washington.

Too many of their colleagues have come to regard farm subsidies to wealthy agribusinesses and Export-Import Bank loans to Boeing as Republican pork. And then Republicans wonder why much of the public holds them in disdain.

House Speaker John Boehner has a really tough job. Nobody would blame him for stepping down after this fall's election. The top two names floated as successors are Majority Leader Eric Cantor of Virginia and Financial Services Committee Chairman Jeb Hensarling of Texas.

Cantor and Hensarling have had some tension between them lately. First, Cantor stripped Hensarling of his chairman's prerogative when he brought to the floor a bill to undo unpopular reforms to the flood insurance program. Now, Democrats have hinted that Cantor might do the same with the bill to reauthorize the Export-Import Bank.

Ex-Im is beloved by large manufacturers (who get subsidies), banks (who get taxpayer loan guarantees) and Democrats (who get to steer businesses using these subsidies), but it's not exactly a free-market kind of thing. The agency expires this fall unless Congress reauthorizes it. Hensarling's committee has jurisdiction over it.

A National Journal piece last month suggests that Ex-Im could become another battleground in Cantor vs. Hensarling: "If unresolved, the issue of the bank's charter could pit Cantor against Hensarling – both men are seen as potential successors to Speaker John Boehner – and raise questions about whether Hensarling's committee will retain control of the issue."

Although the charter does not expire for several months, the issue came to the foreground this week when several prominent Democrats spoke out in favor of rechartering the bank, and one well-known conservative penned an op-ed in opposition.

Minority Whip Steny Hoyer, D-Md., who worked with Cantor on the prior reauthorization, two years ago, said, “I have had discussions, preliminary discussions, with Mr. Cantor about moving forward on the Export-Import Bank.”

Cantor’s office pushes back on the idea that they would take the bill from Hensarling and pass it. And there’s good reason to think Cantor wouldn’t do this:

About half of the House GOP voted against reauthorizing in 2012. Opposition seems to be growing today. So would Cantor really circumvent regular order to pass a corporate welfare bill opposed by the majority of the GOP caucus? While running for speaker?