



Worst corporate welfare criticism ever

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Right-libertarians are routinely awful on economic issues, acting as though big business were — in Ayn Rand’s famous phrase — “a persecuted minority.” But leave it to someone at the Cato Institute to write a column attacking corporate welfare on the grounds that it victimizes the recipients! That’s literally the title: “Corporate Welfare Harms Corporations” (Cato at Liberty, May 17). In the fantastical world of Chris Edwards, corporate welfare is bad for corporations because it “induces unproductive behaviors.” Subsidies cause businesses to “get lazy and less agile. Their cost structures get bloated, and they make decisions divorced from market realities. Lobbying replaces innovation.” Those poor, hapless CEOs are just passive marks, duped by slick talking con men in the government: “Corporate leaders get paid the big bucks for their decision making skills, yet many of them get duped by politicians promoting faddish subsidy schemes.”

Edwards concludes by admonishing the boys in the C-Suites who have been led astray to get back on the path of good old American self-reliance: “Grabbing hand-outs will undermine your cost control, induce you to make bad investments, and distract you from serving your customers. Subsidies will make you weaker.”

This is almost completely backwards. Big business is neither the passive beneficiary nor the passive victim of corporate welfare. It buys the Senators and Representatives who make the

laws; its lobbyists actually draft the laws for their staffers, for Pete's sake! The same individuals shuffle back and forth between the directorships and vice presidencies of regulated corporations, and senior political appointee positions at the regulatory agencies. The corporations are not passive at all. They own and control the government; or perhaps it would be more accurate to say they ARE the government, in exactly the same sense that feudal landlords constituted the government in the Middle Ages. The state, in Marx's words, is the executive committee of the ruling class.

And all those "unproductive behaviors" Edwards wrings his hands over are the whole POINT of corporate welfare. From the perspective of the corporate beneficiaries, the central benefit of government subsidies — along with all the other government interventions like regulations to restrain competition, erect entry barriers, enforce artificial scarcities like "intellectual property," and limit liability — is that they ENABLE all the things Edwards thinks are so horrible. They enable corporations to "undermine cost control" and have "bloated cost structures" (like enormous executive salaries and fringe benefits), to "make bad investments" like wasteful capital spending boondoggles and empire building through mergers and acquisitions, and to be able to afford to be "lazy and less agile" and do a lousy job at "serving... customers" — and still rake in the profits!

If anybody in the senior management of a Fortune 500 corporation actually read Edwards's high-minded sermon, they probably snorted coffee onto their keyboard.

The whole point of corporate welfare is to enable the parasites at the head of bloated, inefficient corporate bureaucracies to make money hand over fist at the expense of workers, consumers and taxpayers, without suffering any competitive ill effects. Subsidizing the operating costs of big business and protecting it from competition — along with cleaning up its messes for it — has been the main function of the American state, and all other capitalist states, from the beginning. If you took away the portion of corporate profits that results from government subsidies, restraints on competition and artificial property rights like copyright and patents, there wouldn't be anything left.

Edwards reminds me of the people who used to moralize about how destructive slavery was to the moral character of the slave-holder, and what a grossly inefficient way it was to organize production. But it was highly efficient in the only regard that mattered to slave-owners: enabling them to live high on the hog off other people's labor without doing any work themselves. Corporate CEOs don't care how bad corporate welfare is for their characters, and they're certainly not going to give it up in response to moralizing from some naive wonk at the Cato Institute. They're enjoying the benefits the system they designed gives them, and they'll keep right on enjoying them until we take them away — ultimately by destroying the state.