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Cantor's collapse and crony capitalism

By Phil Mattera,
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It's easy to see House Majority Leader Eric Cantor's primary defeat as a sign that the country is moving far to the Right. Dave Brat's successful underdog campaign was filled with the usual litany of immigrant bashing, Obamacare vilification and federal debt scare-mongering. Yet it appears that one of his most potent messages was an attack on Cantor for being too cozy with big business and thus fostering the culture of crony capitalism.

"If you're in big business, Eric's been very good to you, and he gets lots of donations because of that," Brat was reported to have told supporters in a meeting earlier this year. "Very good at fundraising because he favors big business. But when you're favoring artificially big business, someone's paying the tab for that. Someone's paying the price for that, and guess who that is? You."

We tend to think that promoting anger at big business is a theme of the Left, but conservative libertarians such as Brat have their own version of that critique. Yet whereas progressives tend to criticize giant corporations for a variety of sins -- wage suppression, union-busting, environmental degradation, monopolization, extravagant executive compensation, etc. -- people like Brat focus on one thing: the way that those corporations use their influence to extract special favors and financial assistance from Uncle Sam. Business should be able to do pretty much whatever it wants and pay as little as possible in taxes, they argue, but taking subsidies is beyond the pale.

The libertarian Right has a long history of criticizing what used to be more commonly called corporate welfare. For more than two decades, groups such as the Cato Institute have been publishing diatribes against grants, loan guarantees and other forms of business assistance. In a 1995 Cato paper entitled "Ending Corporate Welfare as We Know It," Stephen Moore and Dean Stansel wrote:

Because they intermingle government dollars with corporate political clout, business subsidies have a corrupting influence on both America's system of democratic government and our system of entrepreneurial capitalism. Despite the conventional orthodoxy in Washington that the United States needs an even closer alliance between business and politics, the truth is that both government and the marketplace would work better if they kept a healthy distance from each other.

Over the years, Cato and like-minded groups kept up a drumbeat calling for the elimination of programs such as the Export-Import Bank, whose efforts largely benefited the overseas business of U.S. companies such as Boeing and Bechtel. For a period of time, Ralph Nader, who had long attacked some of the same programs from a different direction, made common cause with the libertarians and created a "strange bedfellows" alliance. The alliance got a lot of attention and statements of support, but in the end entrenched interests preserved most corporate welfare programs.

In the past few years, the tea party movement has helped revive the opposition to federal corporate subsidies, though the critique has often been imprecise. There has been a tendency to conflate the TARP program to bail out the banks with the Recovery Act stimulus designed to help the overall economy recover from the recession generated by the financial meltdown.

There's also the issue of hypocrisy. The Koch Brothers, who have directly or indirectly funded many of the tea party groups, have benefited from a considerable amount of corporate welfare given to their Koch Industries conglomerate, including more than \$89 million in state and local assistance my colleagues and I have documented in Subsidy Tracker.

Nonetheless, the notion of crony capitalism, which gained much of its currency during the Solyndra scandal, continues to be a favorite on the Right. In the Daily Signal web news service recently launched by the Heritage Foundation, Cronyism is one of the few highlighted topics, up there with Benghazi and Obamacare.

In his new book *Unstoppable*, Nader cites corporate welfare as one of the cornerstones of an emerging left-right alliance to "dismantle the corporate state." Such an alliance may very well succeed in eliminating some of the most dubious forms of federal business assistance, but it cannot overcome the gulf between those who believe that giant corporations should otherwise be left alone and those of us who see the need to use the power of the state to rein in the power of those enterprises.