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The worst welfare benefits the best-off: corporations

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No discussion of welfare — such as the one in this space a few days ago — would be complete without touching on one of the worst kinds: corporate welfare.

Whatever policy flaws might afflict it, welfare for individuals at least has a noble rationale: the alleviation of suffering. Not so corporate welfare — which has all of the disadvantages of social-welfare spending with none of the benefits.

Corporate welfare's sole redeeming quality, to the extent it has any, is its relative size. Washington ladles out about $100 billion a year in handouts to the undeserving rich. That is a minute fraction of federal outlays for social welfare (Medicare alone will cost more than $670 billion this year). But it is still roughly $100 billion too much.

It is too much because of the system's manifold flaws. The Obama administration provided a helpful but unintentional case study of those flaws through Solyndra, a company The Washington Post called "signature project of President Obama's initiative to help create clean-energy jobs." The idea — other than helping out Solyndra's principal backers, who had given lots of money to the Obama election effort — was to use government power to compensate for "market failure," which is liberal-speak for "choices made by other people that we don't like." The real failure, as it turned out, was Solyndra, which went bankrupt.

The administration's defenders say you can't blame the administration for this because nobody could have foreseen the current oversupply of solar panels, or plunging silicon prices — and besides, Solyndra made a bad bet on the sort of solar panels to make, and yadda yadda.

That, say economic realists, is precisely the point. People in government do not possess special wisdom that allows them to see better and farther than people in private business. Yet they often act as though they do.

And while conservatives have had a knee-slapping good time ridiculing the Solyndra debacle, corporate welfare is a richly bipartisan problem. For obvious reasons, it enjoys the support of Republican-leading corporate honchos and Chambers of Commerce, which are sometimes as allergic to a truly free market as your run-of-the-mill campus Trotskyite. Business leaders often like nothing better than a government-supplied leg up on the competition.

Republican politicians often happily oblige. Virginia Gov. Bob McDonnell, for instance, has doled out cash and assistance to a host of businesses big and small: Backcountry.com, an online retailer, received $300,000 last year. General Electric got the same amount to recruit and train workers for an IT center in Henrico. Virginia spent millions to bring a Microsoft data center to Mecklenberg, and doled out millions more to help billionaire filmmaker Steven Spielberg film a Lincoln biopic.

When he zeroed out funds for public broadcasting, McDonnell insisted, "We must get serious about government spending. That means funding our core functions well, and eliminating spending on programs and services that should be left to the private sector." Recruiting and training workers for General Electric qualifies as a core state function?

Republicans like to scoff at federal support for green energy. But fossil-fuel companies will get $1.4 billion in corporate welfare this fiscal year. Small businesses will get more than $3 billion. You don't hear so many conservative complaints about that.

If we consider indirect means of support, then the scope of corporate welfare looks even broader. Take, for instance, the federal sugar program — which costs U.S. citizens more than $3 billion a year.

Most of that cost is not imposed through the tax system. Instead, the federal government sets a minimum price for sugar, which drives up not only the price of sugar — it's 50 percent higher in the U.S. — but also the price of products made with sugar. What's more, import quotas limit how much sugar can be shipped in from abroad. That's one reason you see so much high-fructose corn syrup in processed foods: It's a cheaper substitute, made cheaper still by farm subsidies to corn growers.

It would be lovely to think that we could eliminate corporate welfare, leaving in place only those social-welfare programs that actually help the deserving poor. But as Cato Institute scholar Tad DeHaven notes, "the political power necessary to transfer income to the poor is power that can be used to transfer income to the non-poor, and the non-poor are usually better organized politically and more capable of using political power to achieve their purposes."

In short: A government big enough to do everything you want is also big enough to do everything you don't.