Study: Subsidies benefit big business, not entrepreneurs

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State economic development agencies like to brag about their ability to create jobs, but the majority of that funding goes to big business.

In a study that focused on Florida, Missouri, and New Mexico, Good Jobs First found that "at least 68 percent of overall state economic development spending goes to large companies and programs that support those companies."

Only 19 percent of economic development funds reached small businesses. Another 13 percent of funds couldn't be classified as either small or large companies.

When politicians promise economic growth, their programs tend to favor the well-connected. "Subsidy megadeals" that attract large companies can generate more jobs from one deal, but the costs of those subsidies, and the over-reliance on large companies over a diverse economy with many small- and medium-sized businesses, can threaten long-term economic growth for states.

The study covered fiscal years 2013-2015 and about $344 million of state funds: $135 million in Florida, $146 million in Missouri, and $63 million in New Mexico.

Those disproportionate subsidies don't come from one party, either; Republican and Democratic governors and legislatures support the largesse.

"There's a galling mismatch between how governors and other state officials characterize their support for small businesses and what they actually spend," Executive Director Greg LeRoy said in a press release.

The report focuses on state, not federal, subsidies. Previous work by Good Jobs First found that about two-thirds of federal subsidies went to big business as well, however.

Subsidies to private businesses are notoriously hard to defeat. Part of the issue is that subsidies and corporate welfare get distributed through many agencies and programs. There isn't a department of corporate welfare or state subsidy agency to shutter. Another reason is that businesses who receive the funds, tax breaks, and benefits have an incentive to lobby for them.

"Supporters of corporate welfare programs often justify them as remedying some sort of market failure. Often the market failures on which the programs are predicated are either overblown or don't exist," Stephen Slivinski, director of budget studies at the Cato Institute, wrote.

The states that Good Job First analyzed aren't the worst states for subsidies, either. Missouri ranks ninth, doling out an estimated $5.2 billion between 2005 and 2014, but data issues might mean other states surpassed that figure, or Missouri's actual subsidy amount is higher.

For small business growth and economic competitiveness, the evidence against state subsidies piles up. If anything, they make economic growth more difficult for any business that doesn't receive state funding.