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Obama Proposes New Department of Corporate Welfare

By Tad DeHaven

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Contrary to what various news outlets are reporting, President Obama is NOT proposing to cut government. The administration is proposing to take four independent federal agencies that speak in corporate welfare – along with the Office of the U.S. Trade Representative – and combine them with corporate welfare programs at the Department of Commerce to form what would I would argue should be called the Department of Corporate Welfare.

According to reports, this rearranging of the deck chairs would save \$300 million a year. That's peanuts. Worse, those alleged savings will be of no consequence to taxpayers as there is nothing to suggest that the president intends to cut overall spending for the agencies comprising the new bureaucracy. That portends *bigger* government, not smaller. The president is trying to sell the American taxpayer a false bill of goods.

The president's proposal is also an attempt to counter the perception – an accurate one – that administration's policies are detrimental to commerce. But corporate welfare is detrimental to commerce because the market distortions it creates hinder economic output. Making it easier for select businesses to help themselves to taxpayer-financed subsidies would only perpetrate the sort of crony capitalist schemes that gave us Solyndra and the Chevy Volt.

Of course, no transparent attempt to appear "business friendly" would be complete without a big bone to the Small Business Administration. The "bone" this time is the president's intention to elevate the head of the SBA to the Cabinet. As I discuss in a [Cato essay on the SBA](#), rather than helping small businesses compete against big businesses, the SBA's loan guarantees mainly help a tiny share of small businesses compete against other small businesses. In reality, the biggest beneficiary of the SBA is the banks, which reap the profits from the loans guaranteed by the agency.

Finally, Republican policymakers talk a good game about cutting government, but they often hide behind calls for making the federal government "more efficient." Now that the president has seized political opportunity to sing from the GOP's hymnal, it'll be interesting – if not entertaining – to see how Republican policymakers respond. To avoid embarrassment, I recommend offering [specific](#)

[spending cuts.](#)

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