



## Corporate Welfare vs. Entrepreneurship

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[I testified today](#) to Paul Ryan's House Budget Committee regarding corporate cronyism and the opposite policy of free-market entrepreneurialism. Also testifying was former Florida Governor Jeb Bush.

There were lots of partisan jabs made during the hearing by members, but I tried my best to criticize both parties. Here's some of [my written testimony](#) (co-authored by Tad DeHaven):

Business subsidy programs attract corruption like garbage dumps attracts rats, and that has always been the case in Washington. For example, federal subsidies for the first transcontinental railroad, the Union Pacific, led to the Credit Mobilier scandal of the 1870s, which involved payoffs to dozens of members of Congress. In recent decades, scandals stemming from corporate welfare have been a bipartisan problem, as these examples illustrate:

**HUD Subsidies under Reagan.** President Ronald Reagan's Department of Housing and Urban Development overflowed with corruption in the 1980s under Secretary Sam Pierce. Pierce routinely dished out grants, loans, and other sorts of subsidies to friends and business associates. And HUD created programs that involved large subsidies to mortgage lenders, developers, and other businesses, with Republican Party contributors as frequent beneficiaries.

**Commerce Subsidies under Clinton.** President Bill Clinton's Commerce Secretary, Ron Brown, used federal business subsidies as a fund-raising tool for the Democratic Party in the 1990s. Corporate executives who played the game were given access to export promotion trips and loans from OPIC. In subsequent investigations, U.S. District Judge Royce Lamberth found that Commerce officials concealed and destroyed documents relating to the scandal, and he compared the officials to "con artists" and "scofflaws."

**Enron Subsidies under Clinton and Bush.** Enron Corporation is a poster child for the harm of business subsidies, particularly with regard to its disastrous foreign investments. Enron lobbied government officials to expand export subsidy programs, and it received billions of dollars in aid for its foreign projects from the Ex-Im Bank, OPIC, the U.S. Trade and Development Agency, the U.S. Maritime Administration, the Commerce Department, and the U.S.-backed World

Bank. Enron received about \$3.7 billion in financing through federal government agencies. These subsidies induced Enron to make exceptionally risky foreign investments, and the resulting losses were an important factor in the company's implosion.

. . .

To sum up, the way to spur economic growth is not through business subsidies, but through breaking down barriers to entrepreneurs. Let's give entrepreneurs a crack at postal services, air traffic control, passenger trains, and other monopoly industries. Let's pursue tax and regulatory reforms to maximize the flow of financing to new and growing businesses. And let's stop demonizing entrepreneurs who succeed and the financial system that allows them to grow. If we want to exorcise some demons, we should end the corporate welfare system that is corrupting our government and the American economy.