



GOP joins Obama in embracing crony capitalism

By Timothy P. Carney

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Here's the state of Republican economic policy today: A \$35 billion federal loan-guarantee program for wind and solar companies is scandalous "crony capitalism" that must be shut down and investigated.

But a \$100 billion federal loan guarantee program mostly benefiting Boeing and Caterpillar should be expanded by 40 percent.

The *bad* subsidies, according to Republican teaching, are President Obama's green energy initiatives, like the stimulus-created loan guarantee program that funded failed solar panel maker Solyndra.

The *good* subsidies, for Republicans, come from a federal agency called the Export-Import Bank, whose loans and loan guarantees subsidize U.S. exporters, with two-thirds of the loan guarantee dollars backing Boeing sales.

On Wednesday, a large majority of Republican congressmen voted to reauthorize Ex-Im (whose current charter expires later this month) and increase to \$140 billion the legal limit on taxpayer exposure from Ex-Im financing. Currently, taxpayers are exposed to nearly \$100 billion in Ex-Im loans and loan guarantees.

By supporting Ex-Im, instead of trying to kill it, Republicans aren't merely calling into question the concept of free enterprise, they are passing up the chance to make President Obama's corporate welfare a central theme of the 2012 election.

The stage had been set, economically and politically, for the GOP to wage a free-market populist campaign against Obama.

Here are the relevant economics: U.S. corporations are sitting on record cash stockpiles and corporate profits are climbing. Meanwhile, median wages are stagnant. In other words, Big Business is getting rich, while regular Americans are getting poor.

This explains the political dynamic: Americans increasingly feel the game is rigged, and that Washington is serving the special interests instead of the public interest.

Obama is campaigning hard on his economic policy of "winning the future," through government cooperation with manufacturers and subsidies for green energy.

Obama's closeness to subsidized industrial giants General Electric and Boeing (the CEOs of both of these companies are top advisers) and his ties to solar and wind companies (the top investor in Solyndra was an Obama campaign bundler) undermines Obama's anti-special-interest rhetoric and highlights how government intervention ends up benefiting the biggest and most connected companies.

Republicans have hinted that they will run against the collusion of Big Business and Big Government. Romney, after winning the Pennsylvania primary last month, pledged, through restoring free markets, to "stop the unfairness of politicians giving taxpayer money to their friends' businesses."

Congressional Republicans have launched investigations into the Solyndra deal. "Crony capitalism" has become a common phrase on the GOP campaign trail.

So Ex-Im, a naked example of corporate welfare mostly benefiting one giant corporation, presented a great opportunity for a Republican fight. As President Obama campaigned hard for reauthorization of Ex-Im, free-market institutions in Washington called for abolition.

The Club for Growth announced it would include the reauthorization vote on its scorecard. The Heritage Foundation followed suit. The Wall Street Journal editorial page has twice opined against reauthorization. The Cato Institute wants it abolished.

Majority Leader Eric Cantor inserted a measure into the bill telling the treasury secretary to begin pressing other countries to end their export subsidies as part of multilateral disarmament. Cantor presented this provision as "reform" that would eventually result in Ex-Im's abolition.

Conservatives didn't buy it. The Wall Street Journal still inveighed against the bill, while Heritage and the Club for Growth maintained their opposition. After the Cantor deal, Citizens Against Government Waste this week joined the abolish-Ex-Im army.

So the Right is mostly agreed: Government shouldn't be running a subsidy bank.

But the business lobby is almost unanimously agreed in the opposite direction. The Chamber of Commerce, National Association of Manufacturers, Business Roundtable,

American Petroleum Institute and most big businesses have lobbied to reauthorize the agency and raise the lending cap to \$140 billion.

On Wednesday, House Republicans sided with their business base over their conservative base -- 147 House Republicans, including the entire leadership, voted for reauthorization, compared with 93 nays.

This represents progress, compared with past reauthorization votes. In the 1990s, fewer than 40 Republicans voted to abolish. In 2002, 50 Republicans, or 23 percent, voted no on reauthorization. This year's 93 nays represent 38 percent of the House GOP caucus. Notably, Paul Ryan voted against Ex-Im, and freshman Rep. Mike Pompeo, who has Boeing manufacturing in his district, also voted nay.

So, in the wake of the 2008 bailouts and Obama's corporatism, the Republican rank and file are steadily moving against corporatism. But the GOP leadership still isn't ready to wage war on corporate welfare -- which leaves one less line of attack on Obama.

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