

Why Won't Big Oil Subsidies Die?

by Brian Merchant, Brooklyn, New York on 09.13.11

One More Time With Feeling: Obama Calls to Kill Big Oil Subsidies

Every year, the American taxpayer writes a check to Big Oil -- and that's *on top* of buying petroleum-based products and paying through the nose for increasingly expensive gasoline. Uncle Sam also directs billions of dollars to the likes of ExxonMobil and Chevron, despite the fact that they're some of the most profitable companies on earth. These companies receive \$4 billion in what [the NY Times calls](#) "sweetheart subsidies" every year (and much, much more than that from [other tax breaks and subsidies](#)).

For a nation screaming about a growing deficit, trimming this extraneous bonus to oil fat cats seems like an easy starting point. So, Obama is taking aim at slashing the subsidy yet again, this time in order to help pay for his jobs plan. But pundits are already saying it won't work -- so why can't we kill these godforsaken big oil subsidies?

Here's [the Wall Street Journal](#):

Mr. Obama also proposed raising \$41 billion over 10 years by reducing or eliminating some tax credits and allowances for oil and gas companies, including repeal of a deduction for intangible drilling and development costs and eliminating one method for recovering the capital costs of wells.

Obama tried cutting oil subsidies in his very first federal budget proposal, and it didn't fly. He and the Democratic members of Congress tried again earlier this year, hoping that the Tea Party's incessant yelling for spending cuts would translate into Congressional support for one of the most obvious spending cuts in the history of spending cuts. But no such luck.

And get this:

The true amount we pay in oil subsidies is waaaaaaaaaaaaaay more than \$4 billion a year. In fact, the far-right libertarian think tank the Cato Institute once calculated the true cost of subsidizing oil to be [in the range of \\$78-150 billion](#) -- yep, *billion* -- per year. A lot of these expenditures come from the massive amount of security needed to protect oil, both at its source in volatile regions and along international shipping routes 'round the world. The US gov expends much effort and capital to help safeguard the oil companies' product and operations -- it's in the national interest, after all, that everyone be able to continue purchasing Exxon gasoline.

So you'd think that paring a comparatively meager \$4 billion from the massive font of cash and government support that Big Oil enjoys might be a reasonable proposition *this* time around. After all, it's for a good cause this time! It's to pay for a jobs program that would help put people to work -- instead of continually increasing the profit margin of uber-profitable companies!

But you'd be wrong. The GOP is already hemming and hawing over what's in reality a very modest proposition, and will likely block the measure as they always do. And they do so for one reason only, and it's not because their constituents think it's a good idea: they do so to secure high standing (and the accompanying campaign contributions) from these corporations. Subsidies are notoriously hard to kill -- the taxpayer barely notices the portion he pays to support the subsidized activity, but the sector that receives the subsidy will indeed be motivated to mobilize efforts to continue receiving it. And big oil is easily powerful enough to buy enough favors to preserve the status quo in Congress.

[Note here: Slashing oil subsidies is an incredibly popular idea -- something like [75% of Americans want to see them gone](#). For that matter, all the other planks of Obama's jobs plan are incredibly popular too -- slightly increasing taxes on the wealthy, cutting payroll taxes to benefit the middle class, and putting people to work building and rebuilding the nation's infrastructure all enjoy wide bipartisan support.]

The fact that the political establishment continues to act contrarily to the will of the people, favoring things like securing tax breaks for prospering corporations over the welfare of the panicked, broke public is further evidence of a powerful decline in America's democratic institutions.