

## Pro-Business, Not Pro-Businessman

Republicans should make a stand against corporate welfare

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On *Meet the Press*, White House spokesman Robert Gibbs warned that the Republicans might take the House this November: “Do you want to put in, in to the speakership of the House, a guy who thinks that the, the financial calamity is, is tantamount to an ant? The guy who’s the ranking member of the Energy and Commerce Committee, Joe Barton, started his congressional testimony of the CEO of BP by apologizing, not to the people in the Gulf, but to the CEO. I think that’s a perfect window, not into what people are thinking, but the way they would govern. Joe Barton, John Boehner, those are the type of things you’ll hear a lot, I think, from both the president and from local candidates about what you’d get if the Republicans were to gain control.” (What you won’t hear is that Barton retracted his comments after other Republicans slammed him.)

The Democrats aren’t keeping their fall strategy a secret. It’s to tell Americans that Democrats are the only protection they have from corporate rapacity. The Democrats’ attacks on conservative “extremism” and their alarms about the return of George W. Bush’s policies typically circle back to the topic of corporate power. They have tried to place that issue at the center of the hearings over Elena Kagan’s nomination to the Supreme Court, too. Sens. Al Franken (Minn.) and Sheldon Whitehouse (R.I.) argue that the Court has favored big business over the little guy and that more Democratic appointments are therefore needed.

Republicans are not worried about this tactic. “I think there has been kind of a mood change about business and the private sector as a result of this administration,” says Republican pollster David Winston. He says that people are worried that Obama is creating a climate that makes it hard for businesses to succeed. Besides, Americans have for decades worried more about big government than big business. Even at the height of the financial crisis, in December 2008, Gallup found that 53 percent of Americans considered big government a bigger threat to America’s future than big business. Only 31 percent worried more about big business (and 11 percent worried more about big labor).

Early in his presidency Obama enjoyed support from business groups. Even the Chamber of Commerce supported his stimulus legislation. The Business Roundtable supported the stimulus, Obamacare, and cap-and-trade. But CEOs have been getting more vocal in their disappointment with the administration. The head of the Business Roundtable criticized it for excessive regulation and “reaching into virtually every sector of economic life.” Given the public and corporate mood, Republicans are likely to respond to the Democrats by defending business. They will say — they are already saying — that the community organizer turned president has no feel for American business, that his CEO-free cabinet cannot remedy his lack, and that bashing business creates no jobs. They will flay an anti-business administration.

That’s a message with which Republicans are comfortable, and it is likely to work for them this year. But it is not quite right. Rahm Emanuel, Obama’s chief of staff, justifiably complained in the press that in fact the administration has done quite a lot for various businesses. The health-

care bill will expand the pharmaceutical industry's customer base. Insurers will get new customers, too, which will offset the cost of new regulations. GM and Chrysler got a bailout. So did Fannie Mae and Freddie Mac, private companies with special privileges that the administration resists taking away. The effect of the pending financial-regulation bill will probably be to entrench large financial firms: Those designated as systemically important will be assumed by the market to be too important to fail, and thus get access to credit at preferential rates.

And while Americans fear big government more than big business, they are not fond of either. Gallup also asks people how much confidence they have in various institutions. Only 16 percent say they have "a great deal" or "quite a lot" of confidence in big business. Even Congress does slightly better. (Small business is much more popular.) Republicans should not be hostile to big business. But they would be better off if they could find a way to be hostile to big government without being seen as devoted to the interests of big business.

"The problem we have had as a party is we have often confused being pro-market with being pro-business," says Rep. Paul Ryan (R., Wis.). When businesses ask for earmarks, too many of his colleagues think that saying yes is the right thing to do. Ryan believes that Republicans should run against "crony capitalism," in which government selects some firms for favors.

Most Republicans already favor a policy of "no more bailouts." It is a popular position. Arthur Brooks, the author of *The Battle*, a new book about the cultural dimension of our economic debates, explains, "Most bailouts are seen as indefensible morally because they attenuate accountability." But to make the Republicans' slogan credible requires two additional steps. First, they have to push for policies that prevent financial firms from reaching the point at which bailouts are necessary to prevent economy-wide instability. Tighter limits on leverage should probably be on that list. Second, they ought to have plans to reprivatize the economy: to unwind the government's ownership stake in the automakers, for example.

Corporate welfare is also an inviting target. The Overseas Private Investment Corporation, the Export-Import Bank, the Market Access Program: These federal programs are taxpayer subsidies to corporations. If an investment makes economic sense, a company should make it on its own. If it doesn't, no one should. Tax breaks for corporations should be reformed, too, with some extended to all companies and some abolished.

Subsidies for agribusiness are a particularly harmful type of corporate welfare, creating direct economic costs and embroiling the U.S. in trade disputes. Ethanol subsidies are both expensive and bad for the environment. (BP will pocket \$600 million in ethanol subsidies this year alone.)

Republicans should also rethink their opposition to the reimportation of prescription drugs. Many Republicans believe that allowing the importation of these drugs would amount to importing foreign price controls as well. Tim Carney, a journalistic crusader against corporate welfare, has the retort: The drug companies have been pretty successful in lobbying Washington; let them lobby Ottawa too. The result could be that the companies refuse to sell in countries that keep prices too low. If so, global markets would become more free and American prices would drop as the drug companies recouped their R&D costs from a broader base of customers. Speculation

about how other governments would respond is not really much of an argument for limiting Americans' freedom. Such stalwart free-market champions as Cato Institute president Ed Crane and Pennsylvania Senate candidate Pat Toomey have concluded that reimportation should be legal. More Republicans ought to join them.

A lot of Republicans are convinced that the free-enterprise system needs a more vigorous defense than it has needed in many years. Defending it requires first defining what it is — and what it is not. A welfare system for business is not, and tends to discredit, free enterprise. Supporters of markets must be zealous not only in protecting business from government but in protecting citizens from their improper combination.

If that's too high-minded for Republicans, they should consider something else. If they take the House, as looks more likely by the day, they will have to draw up a budget next spring. That budget, given their campaign promises, their members' views, and the public mood, will have to include sharp cuts. It will go better for them if some of those cuts fall on programs that benefit corporations. They may as well start making the case now.