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Opinion

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Washington is hooked on subsidy programs

By: Chris Edwards, OpEd Contributor

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Most people know that federal spending and budget deficits are soaring. But an equally troubling trend is that the government is funding a growing array of activities that used to be left to state governments, businesses, charities, and individuals. An increasing part of American society is suckling on the federal subsidy teat.

The accompanying chart shows that there are 1,804 federal subsidy programs, and hundreds of these were added this decade. The data comes from the *Catalog of Federal Domestic Assistance* (www.cfda.gov), an official listing of all federal subsidies, including grants, loans, insurance, scholarships, and other types of benefits.

The CFDA was created in the 1960s because politicians needed a guide to help their constituents access all the new benefits under Great Society programs. By 1970, there were 1,019 federal subsidy programs, and the number rose further in late-1970s before being cut back in the early 1980s under President Ronald Reagan.

The number of subsidies started expanding again in the late-1980s, but leveled out in the late-1990s as Congress briefly restrained the budget. This decade, budget restraint has vanished and the number of subsidy programs has exploded 25 percent.

Health and Human Services provides the largest array of aid programs, including the Medicare prescription drug benefit, which was added in 2003 and costs taxpayers \$62 billion annually and rising. The Department of Agriculture is also a big subsidy machine, especially after the passage of bloated farm bills in 2002 and 2008.

More than 800 of the 1,804 subsidy programs are grants to state and local governments—including everything from K-12 education aid to highway funding. Those are useful activities, of course, but experience shows that when funding gets kicked up to the federal level the result is excess bureaucracy and the misallocation of spending based on pork barrel politics.

The growth in subsidies illustrates the damaging erosion of federalism in recent decades. As subsidies have grown, so has federal regulatory control over the states and private sector.

State and local governments, businesses, and charitable organizations are all becoming tools of the central planning agencies in Washington. Rising federal fiscal power is coming at the expense of policy diversity and

innovation, personal responsibility, and individual freedom.


Unfortunately, subsidies are like an addictive drug to politicians and program beneficiaries, who demand an ever higher dosage. Indeed, President Obama wants to hook the nation on a range of new subsidies in energy, health care, and other areas that already receive big subsidies.

Hopefully, taxpayers will increase their efforts to fight back and demand that policymakers put the federal budget into rehab. Like drugs, subsidies might provide a short-term illusion of well-being, but they are eroding our long-term fiscal health. If we started cutting, there may be some withdrawal symptoms, but over time our economy and society would be better off for it.

Chris Edwards is an economist at the Cato Institute and is developing the web site:
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