The real welfare queens in America wear dark suits and silk ties. They are undertaxed CEOs, not unwed mothers. They line up their lobbyists in congressional offices instead of lining up at a social service agency. They own the media instead of being demonized by them.

Corporate welfare permeates American society. A *Time* magazine investigation in 1998 noted: “The Federal Government alone shells out $125 billion a year in corporate welfare.” Yet this enormous benefit for the wealthiest in America receives far less attention and criticism than do the much smaller welfare programs that assist the poorest people. No president has ever promised to “end corporate welfare as we know it.” To do so would threaten the lifeline of campaign money that corporations provide to candidates.
Despite its size and importance, corporate welfare often falls below the media’s radar screen. Subsidies, protectionism, and obscure tax breaks aren’t considered sexy stories. Business news glorifies corporate welfare rather than critically examining it. Politicians take credit for “creating” jobs in their districts by winning the bribery wars that benefit companies. Lobbyists target enormous resources to benefits for specific companies and industries, but because the cost of corporate welfare is spread across all taxpayers, there is no powerful constituency demanding the end of these wasteful giveaways.

The best thing about attacking corporate welfare is that everybody’s against it. No idea is so widely supported in Washington and so widely opposed in the rest of the country as the belief that corporations should receive subsidies, protections, and giveaways from government.

THE $500 PLAN

One problem with launching a successful campaign attacking corporate welfare is that most Americans feel that the government would waste the money no matter how it was spent. Imagine that progressives supported huge tax cuts by sharply reducing corporate welfare: $500 for every single American every single year if a substantial part of corporate welfare could be eliminated, whether in the form of tax breaks or government gifts. If you’re a taxpayer, you get $500 directly. If you’re on welfare, the $500 goes to provide job training and child care. If you’re a child, the money is sent directly to your school for increasing education spending. A plan to give every American $5,000 over the next ten years (that’s $20,000 for a family of four) beats anything the Republicans or the Democrats can offer.

Is it feasible? With 280 million Americans, that’s about $140 billion to trim from corporate welfare—a large task but not an
impossible one. An independent agency could monitor corporate welfare spending and return the “rebate” figure for each American every year. If $70 billion were cut, then the individual rebate would be $250. If it were only $14 billion, then $50 would be returned. This would put permanent pressure on Congress and the White House to cut corporate welfare spending and give the direct benefits of doing so back to the American people.

Of course, the $500 plan isn’t perfect from a progressive perspective. Bill Gates would get as much money as a homeless person would. A rich kid’s school would receive as much as would a poor kid in a school that’s falling apart. But $500 plan isn’t meant to solve every problem. Tax reform and educational equity need to be pursued aggressively on their own to help the poor. The $500 plan does, however, create a clear benefit to ending corporate welfare and make a dramatic statement about how much money is at stake.

Welfare for the poor can inspire genuine debates about whether a social safety net is needed. Abortion or taxes or schools or capital punishment can quickly divide any political discussion. But corporate welfare has no public defender—there are only secret supporters, who fasten hidden riders onto massive appropriations bills.

For progressives, virtually every issue can be part of an attack on corporate welfare. Gun control? It’s about gun makers who want easy profits without having to pay for the cost of the damage and deaths they cause. Environmental regulations? It’s about polluting companies that want corporate welfare by being able to pollute the environment for free. Capital gains tax breaks? It’s a lower tax rate for investments in corporations than for other forms of income.

Corporate welfare is also the easy solution when progressives are asked how they will pay for new or expanded programs. How

Another advantage of attacking corporate welfare is that it’s a way to form an alliance with many conservatives. To genuine conservatives, corporate welfare is a violation of everything the free market stands for. Corporate welfare is the biggest part of the “big government” that conservatives constantly rail against. Corporate welfare distorts the free market. It creates a dangerous dependency on government handouts. It rewards inefficiency and forces companies to waste money in the pursuit of public bribery.

To genuine liberals, corporate welfare is the worst example of how the federal government helps the rich while ignoring the poor. Most people assume that the rich pay for the programs to help the poor. But the extent of corporate welfare proves the opposite: it’s the working poor and the middle class who pay large tax bills in order to help the rich.

Corporate welfare has always been with us, but its power and influence have risen sharply in recent years. As elections increasingly depend on money, corporations are learning to tie their donations to preferential treatment in tax breaks, deregulation, and government funding. The economic downturn in the late 1970s and early 1980s also contributed to corporate welfare, since many cities and states now use public subsidies to attract jobs.

Corporate welfare is dangerous because it often substitutes government handouts instead of government regulation. When the federal government pays corporations to develop alternative fuel cars instead of requiring them to meet certain standards (a highly successful strategy that improved fuel economy and safety despite all the complaints from car manufacturers), the corporations happily pocket the cash and do as little as possible.
Most progressives strongly oppose the antifree trade provisions imposed by corporate America, such as the tariffs designed to protect the sugar industry or the massive subsidies given to corporate farming, including tobacco farming. In 1999, U.S. government subsidies for farming exceeded $20 billion, amounting to nearly half of farm income and going far beyond the subsidies provided by any other country in the world, all of which American officials attack for infringing on free trade with excessive agricultural subsidies. These massive subsidies (most of which benefit large corporate farms rather than the traditional family farmer) came after Republicans promised to get rid of wasteful agricultural handouts in the 1996 Freedom to Farm Act. In 2000, the farming subsidies exceeded $23 billion (including $7.1 billion in “emergency aid” added by a conference committee without any public discussion in Congress), with 60 percent of the money paid to only 10 percent of farms.

The Reagan administration’s attack on social programs and its “federalist” emphasis on turning power over to states and localities was a huge boon for corporate welfare. Urban renewal programs moved away from public improvements under federal guidance and toward direct bribes from cities and states to influential companies and developers. Instead of the federal government’s determining which projects needed financing (a system vulnerable to political influence but generally successful), urban renewal at the end of the century had become a bidding war between states and cities. Using tax abatements and bonds, states and localities fight to offer the biggest bribes to companies. The public does not benefit from moving companies around from place to place and making public improvements designed to help these companies; only the corporations benefit from these welfare programs. Moreover, only those big businesses that have
the resources to relocate and the political muscle to demand the bribes are the beneficiaries of this public largesse.

The corporate welfare queens also have been forced to respond to the growing influence of progressive movements to enforce environmental or health and safety regulations. The corporate welfare of the past was concealed by an ineffectual government that allowed companies to pollute the environment and harm its workers. Today, environmentally irresponsible policies require active lobbying to be continued, but the price is small compared with the welfare benefits available.

At times, corporate welfare is not just wasteful but dangerous. In the 1990s, the United States spent more than $10 billion covering bad loans to foreign countries for weapons purchases. Bad military loans for $2 billion went to Iraq, putting American weapons companies in the interesting position of profiting from both sides of the Persian Gulf War (while the American taxpayers paid to arm each side). Spending billions to subsidize the people shooting at American soldiers in order to help a few defense contractors increase their profits is probably the craziest example of corporate welfare and, considering the human and dollar cost of war, may be the single most wasteful case of corporate welfare.

Tax breaks are also a common form of corporate welfare. When the people who invest in companies pay a lower tax rate (the capital gains rate) than do people who work for a living, the main beneficiaries are the richest Americans and the corporations into which they invest their money into. Rich people pay half the maximum tax rate if they make their money from capital gains (20 percent) rather than work (39 percent). The 1997 cuts in the capital gains tax rate (from 28 percent to 20 percent) will cost taxpayers more than $21 billion over ten years, according to the Congressional Budget Office. This benefits the wealthiest Americans and the corporations in which they invest. But
the biggest “tax expenditures” go directly to corporations with the influence to buy them.

The huge profits of big corporations have led many of them to use tax shelters and other schemes to avoid paying taxes. The Treasury Department revealed in 2000 that big corporations (with more than $1 billion in assets) in the 1990s have reported far less income to the IRS than to their shareholders. In 1992, the income reported to each was about equal, but by 1996 (the most recent data available) big corporations reported $420 billion in earnings to shareholders and only $301 billion to the IRS. If the rate of growth has continued, in 2000 more than $200 billion in earnings (or about one-third of corporate profits) could be concealed from the IRS. As a result of this corporate welfare by tax avoidance, individual taxpayers have to pay a bigger share.

If the tax evasion by “small” corporations (with less than $1 billion in assets) is added in, untold billions are being lost every year. According to Treasury Secretary Lawrence Summers, corporate tax shelters are the “most serious compliance issue facing the American tax system today.” One reason is that Congress, legislating under the influence of money, frequently helps create tax breaks for big businesses. An obscure 1997 law changed the depreciation rules of the alternative minimum tax, which the Congressional Quarterly estimated will cost the U.S. Treasury $18.3 billion over ten years. That’s one reason that in 1999, tax revenue from corporations declined 2 percent despite rising profits—a lower tax burden than at the beginning of the 1990s. From 1992 to 1999, the proportion of corporate taxes compared with individual income taxes paid fell more than 10 percent, a gap of nearly $70 billion.

Although corporations are supposed to pay 35 percent of their profits in taxes, corporate welfare tax breaks enable them to evade these taxes. A study by the Institute on Taxation and Economic Policy found that the effective tax rate paid by big corpo-
rations declined from 26.5 percent in 1988 to 20.1 percent in 1998. The discount from the actual 35 percent tax rate costs taxpayers $100 billion a year for the 250 largest corporations alone. The cost of these tax breaks is growing. At Cisco Systems, for example, the deferred federal tax benefit increased from $76 million in 1998 to $782 million in 2000.

A special exemption from the laws covering everyone else is another form of corporate welfare. The GAF Corporation and its $800 million owner Samuel Heyman launched a full-scale attack on asbestos litigation by pushing the “Fairness in Asbestos Compensation Act,” which would limit the liability of asbestos companies such as GAF even in cases in which certain kinds of lung cancer have been proved to be caused by asbestos. The GAF’s PAC and its family owners have spent $360,220 since 1995 in hard and soft money on Congress, not to mention huge lobbying expenses ($3.2 million in the last half of 1999 alone) and the creation of an industry front group (Coalition on Asbestos Resolution), to push their legislation. All together, since 1997 the asbestos industry has spent more than $15.2 million lobbying Congress in an effort to stop litigation against the deadly effects of its products.

Other industries have prospered from these special corporate welfare protections. In 1999, when Congress passed the District of Columbia Appropriations Act, Majority Leader Senator Trent Lott (D-Miss.) included a provision for “Superfund Recycling Equity,” which relieved scrap metal dealers (who had given a rather paltry $300,000 to members of Congress in the 1990s) from any Superfund liability for toxic waste sites.

Unfortunately, many progressives pay little more than passing attention to corporate welfare. Much of the research on corporate welfare is done by the better-financed libertarian think tanks. As a result, the media and the policy wonks have only a limited picture of corporate welfare.
The key for progressives is showing that deregulation is also a form of corporate welfare. When companies impose social harms in order to make a buck, when they pollute air and water in pursuit of their profits, this is corporate welfare. Clean air is a natural resource, and when corporations freely pollute the air we breathe, it’s as much of a gift to them as a tax break or a handout. Health and safety regulations are also part of what workers and consumers are entitled to, and when the public has to pay for injuries caused by irresponsible corporations, it’s corporate welfare.

Although conservatives frequently rail against trial lawyers and urge tort reforms to protect corporations, the reality is that our overused legal system is produced by corporate influence on government. Many of the lawsuits for harms caused by corporations could be prevented by improving the government’s regulation of dangerous practices. It’s only in the “free market” state that problems are resolved by the expensive and often unequal system of litigation rather than by sound regulation.

There is no way to win a “government is good” argument in America; progressives can win arguments only by endorsing effective programs and denouncing wasteful spending.

Each year, a coalition of environmental and taxpayer groups puts together a report called “Green Scissors” to point out the wasteful government programs and subsidies that harm the environment. The “Green Scissors 2000” report found that nearly $50 billion in federal money is “used to pollute our nation’s rivers, destroy habitats, create radioactive waste, and squander our natural resources”—and then taxpayer dollars often have to pay for the environmental cleanup.

One of the worst corporate welfare laws is also among the oldest: the 1872 Mining Law, which has allowed mining companies to take $245 billion in precious minerals from public lands without paying any royalties to the government. Mining
companies can also buy public land with valuable minerals for $2.50 to $5 an acre. Worst of all, the government will pay to clean up half a million abandoned mine sites (including more than seventy Superfund sites), a cost of $32 billion to $72 billion to taxpayers.

The federal government also pays logging companies to destroy National Forests, causing soil erosion and habitat destruction. According to the General Accounting Office, the Forest Service lost more than $2 billion on its timber sales program from 1992 to 1997. By virtually giving away valuable trees and building expensive roads exclusively for logging, the federal government subsidizes this damage to our environment. While the public debates over the environment frequently pit the spotted owl versus logging workers, the true issue is the massive corporate welfare given to logging companies for environmentally wasteful practices.

Huge amounts of government money regularly go to support corporate research and industry propaganda. In 1993, the National Shooting Sports Foundation, the gun industry’s trade association, received $230,000 from the U.S. Fish and Wildlife Service to help teach children how to kill wildlife with guns. The foundation’s trade publication, *S.H.O.T. Business*, advised: “There’s a way to help ensure that new faces and pocketbooks will continue to patronize your business. Use the schools.” Through a U.S. Department of Energy program, “Cooperative Research and Development Agreements,” the Sandia National Laboratories did $300,000 in taxpayer-funded research in 1995 to help Disney World improve its nightly fireworks show.

Corporate welfare also includes “warfare welfare.” The United States spends $7.6 billion a year in grants, subsidized financing, and tax breaks for companies that make and export armaments. The long-term cost of “warfare welfare” is far greater than this, though, since it must be measured in the human lives
lost when these weapons are used. Defense industries are among the biggest tax evaders in the country: the top ten defense contractors made more than $21 billion in profits in 1998 but paid only $2.5 billion in taxes—less than 12 percent of their profits, one-third of the 35 percent tax rate, and the lowest of any industry in America.

Nearly everyone eats lunch, but not everybody pays for it equally. A construction worker who eats lunch with his buddies can’t make his company pay for it and have the IRS reduce the corporation’s taxes. However, when a business executive does exactly that, the worker actually ends up subsidizing the martini lunch for the CEO who gets paid 450 times as much. And when that construction worker goes to the baseball game that night, he sits in the stands and pays for his ticket and his beer and never expects the government to subsidize his entertainment. But when the CEO goes to the ballgame, he sits in the skybox and sips wine while the corporation picks up the bill, with some help from the taxpayers. It costs the government $5.5 billion a year to pay for the tax advantages from these lunches and entertainment expenses.

The advocates of corporate welfare try to appeal to progressives by claiming that these subsidies to corporations are necessary because they create jobs. After all, giving tax breaks for lunches and ball games helps employ waitresses and left-handed pitchers who might not otherwise get a chance at that work. Progressives can’t be fooled by the rhetoric of jobs. All money creates jobs. If the government builds missiles, the missile makers employ people. If the government builds houses, the construction workers get jobs. If the government gives the money to poor people, the poor people buy groceries and clothing, and so there are jobs in the supermarkets and department stores. If the government returns the money to people by cutting taxes, these individuals spend the money and
help employ people or invest the money and help entrepreneurs create businesses that employ people.

The issue is not job creation, but the kinds of jobs that are created and the goals that are being pursued. Subsidizing tobacco farmers in order to help farmers when the government is simultaneously trying to discourage smoking in order to save lives makes no sense whatsoever.

With corporate welfare like this, it may be tempting to adopt a libertarian line and suggest the abolition of most government programs. Although social programs designed to help the poor rather than the rich are only a small part of the government budget, these programs are crucial to the people who need them. The goal ought to be to fix the flaws and end corporate welfare, not to throw the infant-care program out with the dirty subsidies for the rich.