

## Corporate Welfare

### **The Challenge:**

The U.S. federal government is facing the largest debt in its history – over \$15.5 trillion. (How much is that? If you had \$15 trillion and spent \$15 million every day since Jesus was born, you would still have \$4,500,000,000 today.) The interest on that debt is crushing. The annual interest payment on the debt is now \$474 billion – more than it costs for the Departments of Commerce, Education, Energy, Homeland Security, Housing and Urban Development, Interior, Justice, State, Transportation, and Treasury, and the Environmental Protection Agency, combined. Imagine what could be done with that money were it not being wasted as interest payments on debt irresponsibly built up over the years.

Politicians proclaim to be concerned about the debt, while in the next breath they defend the creation or extension of policies that actually add to the outrageous debt burden. Much of that addition is for corporate interests are being provided favors by the recipients of their campaign contributions or the targets of their lobbyist blitzes.

Corporate welfare is not need-based and is largely embedded in the tax code. It manifests in the form of tax expenditures, deductions, credits, bail-outs, guaranteed and low interest loans, and subsidies. Corporate welfare benefits the wealthiest corporations, which also happen to be among the biggest campaign donors to candidates of both Republicans and Democrats. Many of these benefits continue in perpetuity until Congress votes to end them, which is not likely to happen because to end the benefits would adverse to the interest of corporations to whom members of Congress and the President often feel indebted.

Some of these corporate welfare programs actually promote degradation of the environment while privatizing profits and socializing risks. The following are examples of wasteful and, in some instances, environmentally harmful subsidies.<sup>1</sup>

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<sup>1</sup> The first ten examples are based on Friends of the Earth, “2011 Green Scissors Report,” <http://www.greenscissors.com/news/green-scissors-2011/>. (pp. 16-22)

- The 1872 Mining Act allows companies to extract billions of dollars worth of resources from public land at \$5 per acre while paying no royalty fees. (See Rocky Anderson's column on this issue, published in *The Enterprise* in February 1998. [http://www.voterocky.org/the\\_mining\\_law\\_of\\_1872](http://www.voterocky.org/the_mining_law_of_1872))
- The Department of Agriculture's Commodity Crop subsidies waste billions of dollars annually supporting a small number of corporate farming operations that encourage over-production and in some cases harm the environment.
- The Market Access Program subsidizes overseas ad campaigns that benefit profitable multinational corporations.
- The Department of Agriculture's Crop Insurance program benefits the largest agricultural producers and guarantees a return on even marginal land, providing an incentive to plant in environmentally sensitive areas. Claims are projected to rise due to weather issues related to climate change.
- Essential Air Service provides a subsidy to airlines that operate flights from non-hub airports that are 90 miles or more from the nearest large or medium hub airport. It essentially subsidizes flights for a relatively small number of passengers and contributes to air pollution.
- It appears American citizens actually pay corporations to log on public lands. However, because of the reporting system implemented by the Department of Agriculture, it is impossible to evaluate the cost to taxpayers.
- The Forest Service and BLM Public Land Grazing Program benefits only 2% of the nation's livestock producers, yet cost taxpayers approximately \$136 million in 2004 to operate. The program earned only \$21 million. The below-cost grazing fees encourage overgrazing and result in extensive and severe environmental damage.
- The Department of Agriculture's Wildlife Services Program spends millions of dollars each year to kill predators at the

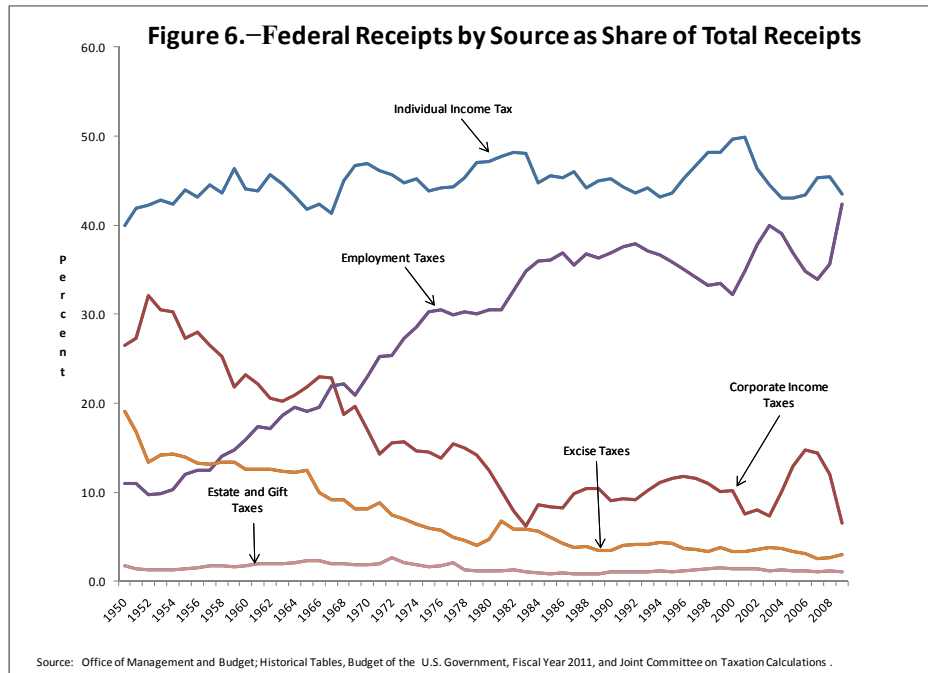
request of ranchers, which leads to the degradation of ecosystems that rely on healthy predator populations.

- The Army Corps of Engineers is often involved in projects that are not based on national priorities and are often economically unjustified and environmentally harmful.
- Taxpayers subsidize lending for American corporations that export and foreign firms that import through the Export-Import Bank, leaving taxpayers at risk for potentially bad loans.
- Subsidies to coal, oil, and gas companies totaled approximately \$72 billion from 2002-2008, notwithstanding that the fossil fuel industry is a mature, developed industry not in need of government assistance.<sup>2</sup>
- General Electric, which made \$14.2 billion in profits in 2010, paid no corporate income taxes in 2011 as a result of “innovative accounting” and fierce lobbying.<sup>3</sup>

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<sup>2</sup> Environmental Law Institute, “Energy Subsidies Favor Fossil Fuels Over Renewables,” [http://www.eli.org/Program\\_Areas/innovation\\_governance\\_energy.cfm](http://www.eli.org/Program_Areas/innovation_governance_energy.cfm).

<sup>3</sup> David Kocieniewski, “G.E’s Strategies Let It Avoid Taxes Altogether,” *The New York Times*, March 24, 2011.



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Corporate income tax has declined while the tax burden for essential services has been unfairly transferred to the middle class and poor in the form of increased income tax and the astoundingly regressive employment tax, as shown in this chart published by The Joint Committee on Taxation, a nonpartisan committee of the United States Congress<sup>4</sup>.

The Bureau of Economic Analysis website shows that U.S. corporate profits have steadily increased while taxes on corporate income have decreased. The data reported by the U.S. Department of Commerce also shows compensation of non-executive corporate employees as flat<sup>5</sup>.

### **The Record of the Democratic and Republican Parties:**

Past administrations have worked on the premise that deregulating corporations and offering them incentives in the form of tax breaks and subsidies would result in a robust economy. Instead of creating jobs and

<sup>4</sup> Joint Committee on Taxation, “Present Law and Historical Overview of the Current Tax System,” p. 70, <http://www.jct.gov/publications.html?func=startdown&id=3179>. Retrieved Feb. 2011.

<sup>5</sup> Bureau of Economic Analysis, “Corporate Profit,” <http://bea.gov/national/index.htm>. Retrieved Feb. 2011.

sharing the wealth, it has enriched a very few and concentrated the wealth at the top. Deregulation of the banking, oil, and health care industries has resulted in higher costs of goods and services for middle class families and the poor, leaving them with less money to stimulate the economy through spending in their communities. It has instead effectively funneled the money to wealthy corporations.

Allowing corporate tax havens has incentivized corporations to send profits and jobs to other countries. To further exacerbate the problem, Republicans and Democrats have reduced revenue by granting tax breaks for corporations at both federal and state levels.

### **Rocky Anderson's Approach Toward Solutions:**

Rocky Anderson would end corporate welfare by implementing campaign finance reform and tax reform. The former would stem the influence of corporate donors over politicians, while the latter would end legislated corporate welfare detrimental to individual American taxpayers. If you tug on an economic problem, you will find that it is connected to the greater political system in which corporations essentially bribe politicians by way of campaign contributions. Campaign finance reform will reduce the influence of corporations over the subsidies and tax breaks that directly benefit them to the disadvantage of the American taxpayer.

Not only would this reform decrease corporate welfare, it would also increase revenues by eliminating unnecessary and ineffective monetary incentives to corporations, helping to alleviate the national debt.

Many corporate subsidies result in environmental degradation, further adding to taxpayers' financial obligations. Rocky believes that companies should pay a royalty charge on mineral extraction from federal land, which could then be used to fund the restoration of public lands. Logging companies should be required to construct and maintain roads and other infrastructure needed to extract timber from public lands. They should also be charged a royalty fee that would cover habitat restoration and replanting. Taxpayers must also be compensated fairly for federal grazing rights. The current fee per acre is nearly the same as it was in 1934.

We have a systemic problem that succeeds in most politicians. Rocky knows the American people, including Anderson himself, want and deserve

more. He believes that some politicians would prefer to work in a just and fair environment, where the playing field is even and where they can thrive and make a positive difference for their country. It's time for politicians to start working for all Americans, not just a select wealthy few.