Policy Analysis

Cato Institute Policy Analysis No. 254: How Corporate Welfare Won: Clinton and Congress Retreat from Cutting Business Subsidies

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Stephen Moore, Dean Stansel

Stephen Moore is director of fiscal policy studies and Dean Stansel is a fiscal policy analyst at the Cato Institute.

Executive Summary

The federal government currently spends $75 billion a year on direct subsidies to business. Last year both Congress and the Clinton administration pledged to attack that pervasive corporate safety net. This study finds that those promises have been largely unfulfilled.

Of the $19.5 billion budgeted for the 35 least defensible programs, Congress cut just $2.8 billion in 1996. That was a 15 percent cut from the 1995 level. Eighty-five percent of corporate welfare spending survived.

Many corporate subsidy programs were reduced minimally, or not at all. Those programs include the Agricultural Research Service; the Conservation Reserve Program; the International Trade Administration; fossil energy R&D; the Bureau of Reclamation; the Office of Commercial Space Transportation; the Overseas Private Investment Corporation; the Export-Import Bank; and the Agriculture Department's Market Promotion Program, which subsidizes the foreign advertising of U.S. corporations such as Pillsbury, Dole, and Jim Beam.

The Clinton administration has shown itself hostile to even the modest corporate welfare cutbacks proposed by Congress. For the 35 corporate welfare programs examined in this study, the administration's 1996 budget actually requested a slight increase in spending. Moreover, the president's vetoes of the GOP budgets specifically targeted corporate welfare cuts as being too deep. The White House has resisted even small cutbacks in such areas as high-technology industry grants, agriculture price supports, and energy research programs. It also has rejected the shutdown of the Department of Commerce--the nerve center of the corporate welfare state. For all those reasons, the corporate safety net has been left substantially intact.

Introduction

The federal government now spends roughly $75 billion each year on more than 125 programs that provide direct taxpayer assistance to American businesses.[1]

To put the cost of the subsidies in perspective, if all federal assistance to business were purged from the budget, the budget deficit could be cut in half. Alternatively, if Congress were to eliminate all those corporate spending subsidies, that would generate enough savings to entirely eliminate the capital gains tax and the federal estate tax. Reducing the deficit or eliminating those anti-growth taxes would do far more to benefit American industry and U.S. global competitiveness than asking Congress to pick industrial winners and losers.

Corporate welfare is the use of government authority to confer targeted benefits on specific firms or industries. Last year the new Republican Congress pledged to "attack corporate welfare" as part of its quest to enact a seven-year balanced-budget plan. The Clinton administration also seemed eager to terminate unwarranted government handouts to business. The administration even challenged Congress to identify and eliminate "aid to dependent corporations."[2]

This study addresses the question, What progress have Congress and the Clinton administration made in cutting back corporate welfare in the budget? To answer the question, we review the spending levels approved by Congress for 35 of the most egregious examples of corporate welfare in the budget. Those are programs that in most cases critics on the left and right have identified as unwarranted giveaways to business. Our major conclusions follow.

- Of $19.5 billion in corporate subsidies awarded through the 35 programs, Congress cut spending by just $2.8 billion in 1996. That was a 15 percent cut from the 1995 level. Eighty-five percent of corporate welfare spending survived.
- Congress did eliminate or substantially eliminate the following corporate welfare programs: the U.S. Travel and Tourism Administration, the Department of Commerce's Advanced Technology Program, the Pentagon's Technology Reinvestment Project, Sematech, the Bureau of Mines, highway demonstration projects, and the Pennsylvania Avenue Development Corporation.
- Conversely, some expensive corporate subsidy programs were reduced minimally or not at all. Those programs include the Agricultural Research Service, the Conservation Reserve Program, the International Trade Administration, fossil energy R&D, the Bureau of Reclamation, the Office of Commercial Space Transportation, the Overseas Private Investment Corporation, and the Export-Import Bank. Spending was actually allowed to increase for the Agriculture Department's Market Promotion Program, which subsidizes the foreign advertising of U.S. corporations, including Pillsbury, Dole, and Jim Beam.

We rate Congress's first-year performance on this issue a mild disappointment and the size of the cutbacks minimal. Some cuts were made--indeed, far more than were ever enacted by previous Democratic Congresses--but huge amounts of the corporate welfare state went untouched. Republican Rep. Scott Klug of Wisconsin acknowledges that "we have not shown the same kind of fervor in cutting corporate welfare as we have in the social area."[3]

But if the Congress's performance was a disappointment, the Clinton administration's was dismal. With few exceptions, the administration has shown itself hostile to even the modest corporate welfare cutbacks proposed by Congress. In fact, we find that for the 35 corporate welfare programs examined in this study the administration's 1996 budget actually requested a slight increase in spending (versus the 15 percent cut enacted by Congress). In addition, the president's vetoes of the GOP budgets specifically targeted corporate welfare cuts as being too deep. Clinton has helped torpedo GOP efforts to shut down techno-grant programs, such as the Advanced Technology Program; to make even minor reductions in agriculture price support programs; to end costly and inefficient Department of Energy research projects; and to close agencies such as the Department of Commerce, the nerve center of the federal corporate welfare state.[4] Over the past 18 months, the Clinton administration has proved itself to be corporate welfare's best friend.

If Congress is sincerely committed to reducing the size and scope of the corporate welfare state, a new strategy is needed to attack corporate welfare. Congress could immediately enact a budget rescission spending bill, perhaps entitled "the Corporate Welfare Elimination Act." Such a budget bill would terminate at least 20 to 25 business subsidy programs with a seven-year savings of at least $75 billion. The bill should be crafted in a bipartisan fashion by identifying those programs that have been targeted for extinction by groups such as the Cato Institute, the Heritage Foundation, the Progressive Policy Institute, and even in some cases the Nader group Essential Information.[5] That could be a central element of any "deficit downpayment budget" negotiations with the White House.

Americans demand deficit reduction and government downsizing that are fair and balanced--meaning that the budget knife does not spare the most politically well connected K Street special interests. Eliminating budget subsidies for the Fortune 500 adds credibility to Congress's equally vital cutbacks in failed social welfare programs.[6] Both the social welfare and corporate welfare states need to be reformed with equal urgency.

Corporate Welfare Properly Defined

Seemingly everyone in Washington, on the left and the right, is opposed to corporate welfare these days. Unfortunately, the debate over corporate welfare has become hopelessly muddled and confused by a multitude of definitions of what actually constitutes corporate welfare. Like pornography, corporate welfare is one of those amorphous concepts that seems to lack precise definition, but "we know it when we see it."

We define corporate welfare as special government subsidies or benefits that are targeted to specific industries or businesses.[7] Corporate welfare can take the form of direct government grants, loans, insurance, or subsidies provided to business; trade barriers designed to protect U.S. firms in particular industries from foreign competition at the expense of American consumers; or a loophole in the tax code carved out solely for the benefit of a particular company or industry.

Not all government programs that provide a benefit to industry are corporate welfare. For example, when the federal government contracts with a defense firm to build airplanes that the military needs for national defense, that is not a corporate subsidy. But if, as seems to be true in an increasing number of cases in the post-Cold War era, the military continues to purchase weapons systems, not because they are needed for national security, but because the spending "creates jobs" or helps a firm back in a representative's district, then we do have an example of corporate welfare. That seems to have been the case with the continued funding of the B-2 bomber and the Sea Wolf submarine.

No area of the corporate welfare debate is more muddled than the issue of tax loopholes. Tax provisions that are universally available to all companies and industries, such as allowing faster write-off of capital equipment, are not forms of corporate welfare. A general tax cut for business, which allows firms to retain more of their own earnings, is not corporate welfare either. Over the next seven years corporations are expected to pay over $1.3 trillion in federal taxes.[8] If Congress proposed elimination of all or most of the corporate income tax, that would be a tax cut, not corporate welfare.[9] Conversely, when Congress offers a targeted tax break for the production of ethanol, for example, for the sole purpose of subsidizing ethanol producers and corn farmers, the loophole is economically inefficient and pollutes the tax code.[10]

Corporate welfare is objectionable because it corrupts both our free-market system and our representative form of government. Corporate welfare converts the industrialist into a statist businessman whose market is the political arena in Washington, D.C., not consumers.[11] Democratic Sen. Bill Bradley's recent attack on the corporate welfare state was right on the mark: "The best way to allocate resources in America is through a market mechanism. Tax and direct-spending corporate subsidies impede the market's functioning for noneconomic, special interest reasons."[12] The *Wall Street Journal* recently noted a related problem with corporate welfare: the handout game in Washington is predicated on "the principle of survival of the political fittest."[13]

Corporate welfare is also destructive because it creates a bidding war for preferential treatment among businesses and industries. With billions of dollars at stake, politicians become increasingly dependent on corporate sponsorship. We found in our 1995 study, for example, that many of the firms that received direct funding from the Advanced Technology Program and the Technology Reinvestment Program were also large contributors to the Clinton campaign or the Democratic National Committee, or both.[14] Archer Daniels Midland has spent millions of dollars providing funds to candidates of both parties. That political giving has coincided with several hundred million dollars in subsidies to ADM since the early 1980s.[15] As long as tens of billions of dollars in subsidies are being auctioned off to business each year, no campaign finance reform bill will prevent the corrupting influence of money in politics.

There is no evidence that business subsidies and industrial policy programs are at all successful in creating jobs or wealth.[16] Even if they did, those benefits would almost never offset the efficiency loss from large tax burdens imposed on workers and businesses to fund the programs.[17]

We also question the constitutionality of many forms of taxpayer-subsidized business handouts. Our constitution confers on Congress limited, enumerated powers in Article I, Section 8. Nowhere in those enumerated powers is Congress given the authority to spend money to subsidize wheat farmers, to pay for the advertising expenses of Fortune 500 companies, to enter into public-private ventures with high-technology companies, or to provide insurance for export companies.[18]

Congress's Record on Corporate Welfare in 1995

In this study we concentrate on the direct spending subsidies in the budget and the steps that Congress and the White House took in 1995 to reduce those corporate benefits.

Table 1 summarizes the final appropriated levels for FY 1996 for 35 of the most egregious corporate welfare programs in the federal budget. The Appendix provides a description and critique of each of those programs. The programs generally fall into four categories of business support: (1) farm programs, (2) energy industry subsidies, (3) high-technology assistance, and (4) export promotion.

On average, the programs listed in Table 1 were cut back by about 15 percent last year. The savings are not trivial. If we extrapolate those budget reductions in the 35 programs to the entire corporate welfare budget, then the total taxpayer savings were an estimated $10 billion in 1995. That was far more than was enacted in any of the past 20 years by Democratic Congresses. Nevertheless, about $65 billion in special interest spending on corporate America will continue.

Why weren't more cuts enacted, especially given the high profile of the issue in 1996? The original House budget resolution passed in June 1995 contained substantial reductions in corporate welfare. The principal architect of the budget blueprint, House Budget Committee chairman John Kasich, stated that one of the budget's objectives was to "get businesses off the dole." If implemented in full, it would have constituted the largest assault against the corporate safety net in history. As Table 2 shows, the list of business subsidy terminations Representative Kasich compiled was impressive: the Tennessee Valley Authority, the

Table 1

How 35 Major Corporate Welfare Programs Fared in the FY 1996 Budget Process (millions of dollars)

Program/Agency	**1995 Actual**	**1996 Pres. Proposal**	**Percent Change**	**1996 Appropriation**	**Percent Change**
	Agriculture Dept.				
Agricultural Research Service	$758.4	$740.0	-2.4%	$740.2	-2.4%
Conservation Research Program	$1,743.3	$1,926.4	10.5%	$1,781.8	2.2%
Co-op State Research, Education, Extension Service	$932.1	$869.8	-6.7%	$907.5	-2.6%
Economic Research Service	$53.9	$54.7	1.5%	$53.1	-1.5%
Export Enhancment Program*	$800.0	$958.7	19.8%	$350.0	-56.3%
Foreign Agricultural Service	$118.0	$129.5	9.7%	$124.8	5.8%
Forest Service: road & trail const.	$130.0	$129.5	-1.1%	$115.0	-12.1%
Market Promotion Program*	$85.5	$110.0	28.7%	$90.0	5.3%
Nat. Agricultural Statistics Service	$81.4	$89.8	10.3%	$81.1	-0.4%
	Commerce Dept.				
Adv.Technology Program	$431.0	$491.0	13.9%	$221.0	-48.7%
Econ. Development Administration	$409.7	$439.0	7.2%	$348.5	-14.9

Int'l Trade Administration	$266.1	$279.6	5.1%	$264.9	-0.5%
Mfg. Extension Partnership	$91.0	$147.0	61.5%	$80.0	-12.1%
Minority Business Development Agcy.	$43.8	$47.9	9.4%	$32.0	-26.9%
NOAA	$1,911.7	$2,096.7	9.7%	$1,853.2	-3.1%
US Travel & Tourism Admin.**	$16.3	$16.3	0.0%	$2.0	-87.7%
	Defense Dept.				
Army Corps of Engineers	$3,408.9	$3,307.5	-3.0%	$3,201.3	-6.1%
Sematech	$89.6	$89.6	0.0%	$39.0	-56.5%
Tech. Reinvestment Program	$443.0	$500.0	12.9%	$195.0	-56.0%
	Energy Dept.				
Energy Information Administration	$84.6	$84.7	0.1%	$72.3	-14.5%
Energy Supply R&D	$3,314.5	$3,396.5	2.5%	$2,727.4	-17.7%
Fossil Energy R&D	$423.7	$436.5	3.0%	$417.0	-1.6%
Power Marketing Administration	$272.5	$361.2	32.6%	$312.5	14.7%
	Interior Dept.				
Bureau of Mines**	$152.4	$132.5	-13.1%	$64.0	-58.0%
Bureau of Reclamation	$841.2	$788.9	-6.2%	$800.2	-4.9%
	Transportation Dept.				
Essential Air Services Program	$33.4	$0.00	-100.0%	$22.6	-32.3%
Federal Hwy Admin: earmarked demonstration proj.	$352.1	$0.0	-100.0%	$0.0	-100.0%
Maritime Admin: Operating-Differential Subsidies	$214.4	$162.6	-24.2%	$162.6	-24.2%
Office of Commercial Space Transportation	$6.1	$6.5	6.6%	$5.8	-4.9%
	Independent Agencies &Other				
Export-Import Bank	$728.1	$780.4	-0.2%	$742.5	-5.1%
Overseas Private Investment Corporation***	$58.3	$106.0	81.8%	$98.0	68.1%
Penn. Ave. Development Corp.	$6.8	$6.9	1.5%	$0.0	-100.0%
Small Business Administration	$917.4	$630.9	-31.2%	$589.6	-35.7%
Tennessee Valley Authority	$142.9	$140.5	-1.7%	$109.2	-23.6%
Trade & Dev. Agency	$45.0	$67.0	48.9%	$40.0	-11.1%
TOTAL	$19,462.0	$19,524.1	0.3%	$16.644.1	-14.5%

* Figures for EEp and MPP are from USDA, 1996 Budget Summary, p. 33, and H.R. 2854, Federal Agriculture Improvement and Reform Act of 1996, Conference Report, Report 104-494, March 25, 1996, p. 367.
**Amount appropriated by Congress is to cover costs of terminating the program.
***OPIC figures refer to the total subsidy, operating, and administrative costs, excluding ofsetting insurance fees and other revenues collected by opic
Source: FY 1996 Congressional Appropriations Bill Reports, and H.R. 3019, FY 1996 Omnibus Appropriations Bill, Conference Report, Report 104-537, April 25, 1996.

Table 2
Business Subsidy Cuts in the FY 1996 House Budget Resolution

Subsidy	**Seven-Year Savings (millions of dollars)**
Dept. of Commerce Trade Promotion	1,500
Dept. of Commerce operations	11,000
Overseas Private Investment Corp.	50
Export-Import Bank reductions	750
NASA restructuring	12,500
Privatizing Uranium Enrichment Corp.	2,000
Dept. of Energy programs	6,200
Energy conservation	1,300
Public Law 480 (Food for Peace)	2,100
Agricultural Research and Extension	2,000
Farm subsidies	20,000
Pennsylvania Avenue Devel. Corp.	250
National Technical Information Serv.	3,500
Economic Development Administration	2,000
Small Business Administration	1,700
Tennessee Valley Authority	900
Shipping subsidies	1,000
Mass Transit	5,000
Local Freight Rail Assistance	150
Essential Air Service	250
U.S. Travel and Tourism Admin.	150
Bureau of Mines	200
Total corporate welfare cuts	**74,500**

Small Business Administration, the Export-Import Bank, the Rural Electrification Administration, the Economic Development Administration, major farm programs, high-technology pork grants, and many others. Three cabinet agencies, the Departments of Commerce, Energy, and Education, were supposed to be terminated.

Unfortunately, many of the scheduled cutbacks were canceled in the House Appropriations Committee or in the Senate. Jimmy Carter's legacy, the Department of Energy, was saved by Sen. Pete Domenici of New Mexico, whose state is the recipient of many of the DOE grants.[19] Small Business Committee chairwoman Jan Meyers revived the Small Business Administration, a $2 billion program that helps just 0.4 percent of America's entrepreneurs and requires the other 99.6 percent to underwrite the cost. House freshman Republican Zack Wamp and other southern Republicans helped kill the proposal to privatize the Tennessee Valley Authority.[20]

Even the poster child of corporate welfare, the $100 million a year USDA Market Promotion Program, escaped the budget knife. That is the program that underwrites overseas advertising of American agricultural products. The San Francisco Chronicle reported that Ernest and Julio Gallo (which received $4.3 million from the MPP in 1993) and more than 100 other mostly Napa Valley California wineries, which have received more than $50 million from the program since 1986, blitzed Capitol Hill with propaganda on the benefits of the MPP.[21] John De Lucca president of the Wine Institute, lambasted opponents of the program who label it "corporate welfare." "It completely misses the small business aspect of the program," charged De Lucca, "and it misses all the essentials of what it takes today for America to be a leading international power."[22] California's large Republican House delegation was evidently convinced, as the members played a major role in allowing the program's budget to expand.

While the GOP welfare bill required a two-year time limit for families on Aid to Families with Dependent Children and food stamps, the Market Promotion Program allows corporations five years on the dole and only then are they nudged out of the safety net.

Congress also struck out on ending agriculture price support programs that mainly benefit large agribusinesses. Since 1985 the federal farm price support programs have cost U.S. consumers and taxpayers some $370 billion--enough money to purchase all the farmland in 41 states.[23] House Agriculture Committee chairman Pat Roberts of Kansas attempted to enact legislation entitled "the Freedom to Farm Act" that would have phased out those last remnants of China-style central planning over the next seven years. He was thwarted by the Clinton administration and by members of his own party.

The federal sugar program provides the owners of the 33 largest sugar plantations in America more than $1 million each per year and doubles the price of sugar to U.S. consumers. A courageous bipartisan effort to end the subsidies by Dan Miller (R-Fla.) and Charles Schumer (D-N.Y.) was squashed.[24] The 60-year-old peanut quota system--which limits the number of farmers who may grow peanuts--raises the cost of peanut butter by up to 70 cents per jar.[25] It went largely untouched. According to a disappointed Jim Bovard, author of The Farm Fiasco, the "Freedom to Farm Act" should have been renamed the "freedom to farm Washington act."

Clinton's Failed Record on Corporate Welfare

A large obstacle to achieving genuine savings in the area of corporate welfare in 1995 was President Clinton.[26] Clinton's enthusiasm for corporate welfare was first evident in his FY 1996 budget proposal, released in February 1995. For the 35 major corporate welfare programs in the budget, President Clinton actually requested a slight increase of 0.3 percent in outlays, versus the 15 percent cutback passed by Republicans in Congress.

President Clinton and the members of his administration spent much of 1995 obstructing the GOP's modest efforts to rein in business subsidies. A prime example was the effort to eliminate the Department of Commerce--Washington's command and control center for doling out corporate aid. Republican freshmen, notably Reps. Dick Chrysler of Michigan and Sam Brownback of Kansas and Sen, Spence Abraham of Michigan, attempted to shut down the 102-program, 36,000-bureaucrat agency, but they eventually were derailed by a massive lobbying campaign orchestrated by Department of Commerce officials (who even set up a "war room" to fend off the GOP assault).[27] The Clinton administration alleged that Department of Commerce trade promotion activities since 1993 "helped businesses win export contracts worth almost $25 billion supporting more than 300,000 jobs."[28]

Labor Secretary Robert Reich is now furiously back-pedaling from his challenge a year ago to free-market groups to cut aid to dependent corporations.[29] Secretary Reich explained in the Wall Street Journal last year that the administration is not against corporate subsidies per se. The administration opposes "corporate subsidies without broader public benefit." Reich suggests a cost-benefit test to be applied to business subsidies.[30] The practical problem is that the administration has identified very few business subsidy programs whose benefits do not allegedly outweigh their costs to the taxpayer.

The Clinton administration still has not released a list of corporate welfare spending cuts that it would support. It did release a seven-year list of corporate tax loophole closings that would, the administration believes, generate $28 billion more in revenue.[31] But many of the least defensible tax loopholes were omitted, while many of the supposed loophole closings were simply disguised corporate tax hikes, such as the proposal to eliminate the dividend received deduction.

Conspicuously, President Clinton did not propose the elimination of the ethanol subsidy. That was not surprising since

Clinton has been a major defender of that costly boondoggle.[32] (Sen. Robert Dole has been as well.) In June 1994 President Clinton imposed new ethanol mandates on gasoline, maintaining that the corn-based fuel substitute "would create thousands of new jobs for the future" and protect "our environment, our public health, and our farmers."[33] Every scientific analysis, and every public interest group on the left and right, agrees that those claims are entirely fatuous. That was a blatant political payoff. As the New York Times editorialized, "What the Clinton administration's new rule will do is take money from consumers and taxpayers and hand it over to Archer Daniels Midland."[34] Investigative reporter James Bovard finds that ADM and related interests gave $50,000 in contributions days before the 1992 election to the Democrats (after having given nearly six times more to the Republicans than to the Democrats in the two years leading up to that election); some $300,000 in soft-money contributions to the Democratic party in the first 18 months of the Clinton administration (about six times what they contributed to Republicans over that same period); and nearly half a million dollars to Democratic candidates before the 1994 elections (compared to $325,000 for Republicans).[35]

The most stunning evidence of the Clinton administration's defense of corporate welfare was the White House rejection of the GOP budget in December. The president announced in his 50-page veto message that he is opposed to virtually every dollar of the meager corporate welfare cuts in the GOP budget. Here are some examples:

- President Clinton rejected the GOP's termination of the half-billion-dollar-a-year Advanced Technology Program--a Clinton administration invention that gift-wraps nearly a half billion dollars a year in $5 million techno-pork "grants" to high-technology firms, such as IBM and General Electric. President Clinton labels the program an investment.[36]
- President Clinton lists the modest reductions in farm price supports as unacceptable because they will disrupt the "farm safety net."
- President Clinton criticizes "cuts in the Export Enhancement Program" as harmful to U.S. business's efforts to increase exports. But the program is predicated on the assumption that taxpayers benefit by providing tax dollars to large U.S. corporations to assist them in exporting. The vast majority of U.S. firms in the export business do so without any support from Washington.
- The White House rejected a one-third GOP cutback in subsidies to industrial R&D.
- The president asserted that cuts in Department of Energy 1970s-style conservation and research programs "will cause energy use and energy costs to rise." Yet in the 1980s Reagan cut the DOE budget in half, and at the same time real oil and home heating prices dropped by 50 percent.[37]

Over the past six months the media have at times skewered Republicans in Congress--often legitimately--for their unwillingness to make deep cuts in the corporate safety net. For example, the Washington Post recently labeled federal subsidies to big business "the pork that won't slice."[38] In the GOP budget, the reporter declares, "everything gets cut--but not corporate welfare." But what has been almost universally unreported is Bill Clinton's all too successful efforts to shield even the least defensible corporate welfare subsidies from the budget knife. The Clinton White House has been hostile to scaling back corporate welfare.

Corporate Welfare vs. Corporate Tax Hikes

Raising the overall tax burden on corporations does nothing to reduce the size of the corporate welfare state. In some ways, in fact, corporate tax hikes only raise the stakes for businesses to carve out special tax exemptions and loopholes. Similarly, a generalized tax cut for businesses is not equivalent to expanding corporate subsidies.

This issue has been a repeated source of confusion. For example, the Center on Budget and Policy Priorities reported that the House tax reduction bill that passed last year "increased business subsidies by $74 billion over seven years."[39] The center concluded that "there is a chance that business subsidies could increase as a result of this year's [1995's] budget decisions." But it turns out that the center was scoring many elements of the GOP tax cut bill as "business subsidies," including the capital gains tax cut and the more generous depreciation allowances for business capital purchases. Cutting business taxes across the board is most assuredly not corporate welfare.[40]

Unfortunately, Congress has allowed the left to measure its commitment to cutting corporate welfare by how many corporate tax increases it has been willing to legislate. House Ways and Means Committee chairman Bill Archer's tax bill contained nearly $30 billion in corporate tax loophole closings.[41] Representative Archer said that he was "concerned about the tax cost of the benefits provided to these corporations that is borne by all U.S. taxpayers."[42]

But tax changes of that type are undesirable for several reasons. First, at least $65 billion a year in direct taxpayer subsidies still has not been terminated on the expenditure side of the budget. Because the direct spending of taxpayers' dollars is the most offensive feature of the corporate welfare state, the expenditure subsidies should be the top priority of this Congress. Second, almost all the corporate loophole closings are being proposed in place of cutting the budget, rather than in addition to it. Every dollar of corporate tax increases proposed allows Congress to make one dollar less in expenditure cuts, including potential cuts in business subsidies.

Finally, the corporate loopholes in the tax code should be eliminated in their entirety in the context of the revolutionary change in the tax code expected in 1997. Majority Leader Dick Armey's flat tax bill would eliminate all such loopholes in exchange for a single low rate tax system. Rep. Bill Archer's proposal for a national consumption tax to replace the income tax would immediately and permanently end all income tax preferences for businesses. Either proposal would lead to a far more efficient allocation of economic resources in the economy. In 1995 there was an estimated $20 billion worth of unjustified corporate loopholes in the tax code.[43] If all those loopholes were eliminated from the tax code, corporate tax rates could be lowered for all American businesses by 2 or 3 percentage points. The best way to help American industry compete would be to eliminate special interest tax breaks and replace them with lower rates for all overtaxed firms.

The Corporate Welfare Elimination Act

Despite the Washington policy establishment's disappointing track record in attacking corporate welfare in 1995, Congress has a second chance to make substantial cutbacks this year. Indeed, corporate welfare cuts can and should be achieved in a bipartisan fashion. Republican deficit hawks, such as Rep. John Kasich, Sen. John McCain, and Sen. Spence Abraham, have all made reductions in corporate subsidies a crusade.[44] But a number of Democrats have also made good-faith efforts to reduce business aid, including Sen. Russ Feingold of Wisconsin, and Reps. Charles Schumer of New York and Joe Kennedy of Massachusetts.[45]

If they are serious about cutting corporate welfare, congressional leaders should compile a bipartisan corporate welfare rescission bill to suspend funding immediately for 20 to 25 of the most wasteful and low-priority corporate subsidy programs. The bill--the Corporate Welfare Elimination Act--should be an integral feature of any downpayment on the deficit deal with Bill Clinton. The cuts should amount to at least $75 billion in outlay reductions from 1996 to 2002. Spending programs included in this rescission should include, but should not be restricted to,

- Export-Import Bank,
- Small Business Administration,
- Advanced Technology Program,
- Forest Service road building,
- Federal Housing Administration subsidies to mortgage lenders,
- Agriculture Market Promotion Program,
- Manufacturing Extension Partnerships,
- National Technical Information Service,
- International Trade Administration,
- Department of Energy R&D funding,
- Maritime Administration,
- Overseas Private Investment Corporation,
- Agricultural Research Service,
- Minority Business Development Agency, and
- Economic Development Administration.

Congress should embark on a high-profile national promotional campaign to sell this large deficit reduction package. Passage of the corporate welfare cuts should be among the highest priorities in the remaining months of the 104th Congress.

Conclusion

Corporate welfare has been the fiscal blind spot of congressional budget cutters. In 1995 the corporate safety net was left largely intact. If members of Congress again balk at cutting aid to dependent corporations in 1996, they will begin to look like fiscal frauds and fools. Worse, their unwillingness to reduce the corporate social safety net undermines the rest of the government downsizing agenda. Particularly for Republicans who want to balance the budget in seven years, such a package is essential to restoring public belief that their budget reduction plans are credible and fair-minded.

Appendix: Worst Corporate Welfare Abusers

The following is a brief description of 35 of the most expensive and unjustified corporate welfare spending programs in the federal budget. All of the programs should be either entirely eliminated or vastly scaled back.

Agriculture Department

Agricultural Research Service (1995 appropriation: $758.4 million). The Agricultural Research Service conducts research focused on increasing the productivity of the nation's land and water resources, improving the quality of agricultural products, and finding new uses for those products. As that research inevitably serves to enhance the profitability of farming, it should be funded directly by private farmers, not by the taxpayers.

Conservation Reserve Program (1995 appropriation: $1,743.3 million). The Conservation Reserve Program pays farmers not to grow crops on their land. The stated rationale behind CRP is to help farmers control soil erosion and to decrease production of surplus commodities. However, if farmers' own planting decisions are causing soil erosion problems that inhibit their ability to profitably produce crops, those farmers should be responsible for taking actions to address the problem. The American taxpayer should not have to pay them to do so. Further, as for decreasing the production of surplus commodities, the USDA's own price support programs encourage such overproduction. Instead of paying farmers to keep their land idle, USDA could prevent such surpluses by ending its counterproductive price support programs.

Cooperative State Research, Education, and Extension Service (1995 appropriation: $932.1 million). The Cooperative State Research, Education, and Extension Service funds programs, such as the Small Business Innovation research grant program, designed to assist farmers in making use of new technologies. The CSREES also funds agricultural research projects at the nation's land-grant universities and other state institutions. Some of those projects are of use only to farmers in one particular region or congressional district. CSREES's activities should be funded directly by their intended beneficiaries, the nation's farmers.

Economic Research Service (1995 appropriation: $53.9 million). The Economic Research Service conducts economic and other social science research on topics of relevance to the agricultural industry, including marketing research and supply-and-demand analysis. The American taxpayer should not be forced to pay for the marketing research of the agricultural industry, or any other private industry.

Export Enhancement Program (1995 appropriation: $800.0 million). The Export Enhancement Program subsidizes the export of certain U.S. agricultural commodities, mainly wheat and other grains, by paying U.S. exporters to sell their goods to foreign purchasers at a discount. The USDA provides those exporters with cash bonuses to compensate them for the difference between the selling price and their costs. Three large agribusinesses have received almost half of the $7 billion distributed by EEP since its inception in 1985: Cargill, Continental Grain, and French-owned Louis Dreyfus.[46]

Foreign Agricultural Service (1995 appropriation: $118.0 million). The Foreign Agricultural Service maintains more than 60 overseas offices with agricultural counselors who seek to promote U.S. agricultural commodities abroad. FAS develops and maintains a voluminous database that is made available to the U.S. farming industry directly and is used to produce over 5,000 reports a year on foreign agricultural production; supply and demand in foreign markets; and trade policy developments. According to the General Accounting Office, "Much of the reporting, however, is put to little use either by USDA or the U.S. agricultural industry."

Forest Service--Road & Trail Construction (1995 appropriation: $130.9 million). The Forest Service funds the construction of roads and trails in the nation's forests, thus subsidizing the removal of timber from federal lands by private timber companies. In fact, over the past 20 years the Forest Service has built 340,000 miles of roads--more than eight times the length of the interstate highway system. Many of those roads are for recreational use, but many others are primarily for the benefit of logging companies. The latter should be paid for by the industry.

Market Promotion Program (1995 appropriation: $85.5 million). The USDA's Market Promotion Program provides private food and other agricultural product firms with taxpayer dollars to help offset their foreign advertising costs. In 1993 the MPP budget included nearly $1.5 million to promote mink furs, over $125,000 to promote frozen bovine semen, and nearly $120,000 to promote alligator hides. Furthermore, much of the money goes to America's largest corporations. For instance, in 1993 Sunkist received $6.6 million, Ernest & Julio Gallo received $4.9 million, the Dole Company received $1.6 million, M&M Mars received $1 million, Tyson Foods received $800,000, and Campbell Soup received more than $500,000.

National Agricultural Statistics Service (1995 appropriation: $81.4 million). USDA's National Agricultural Statistics Service collects and publishes the official data on agricultural crops and livestock (acreage, yield, production, etc.) used in the computation of farm program payments. This program should be terminated along with the programs that provide those payments.

Commerce Department

Advanced Technology Program (1995 appropriation: $431.0 million). The mission of the Advanced Technology Program is to enhance the competitiveness of U.S. companies by helping them to make better use of basic research in new technologies. ATP gives away nearly half a billion dollars a year in R&D grants to huge high-tech corporations like Caterpillar, General Electric, and Xerox. Those grants assist some of the United States' largest companies in developing and bringing to market profitable new products. General Accounting Office audits have found many ATP grantees whose overhead costs exceed actual research expenses.[47] ATP was zeroed out by Congress last fall in the 1996 appropriations bill that funds the Commerce Department. President Clinton vetoed that bill and secured a compromise in the recently enacted FY 1996 Omnibus Appropriations Bill (H.R. 3019) that allows ATP to survive with a 49 percent budget cut.

Economic Development Administration (1995 appropriation: $409.7 million). The Economic Development Administration seeks to improve distressed economies by providing grants and loans to state and local governments, nonprofit organizations, and private businesses in areas with high and persistent unemployment. EDA's activities include technical assistance grants, which provide technology transfer assistance to private firms, and development grants, which fund the construction and improvement of infrastructure for the development and expansion of private industrial parks and ports. EDA also funds the trade adjustment assistance program that doles out grants to assist private firms and industries that are deemed to have been adversely affected by increased imports.

International Trade Administration (1995 appropriation: $266.1 million). The International Trade Administration conducts export promotion programs directed toward specific industry sectors through its Trade Development Program. ITA's U.S. and Foreign Commercial Service provides counseling to U.S. businesses on exporting and facilitates participation of U.S. firms in trade shows. ITA also provides marketing services, develops regional and multilateral trade strategies, and investigates economically antiquated anti-dumping and countervailing duty cases. All those activities are more appropriately conducted directly by the private businesses and industries they are intended to benefit.

Manufacturing Extension Partnership (1995 appropriation: $91.0 million). The Manufacturing Extension Partnership program is to the manufacturing industry what the Agricultural Department's Extension Service is to the farming industry. MEP provides grants to fund the creation and maintenance of dozens of extension centers to assist small and medium-sized manufacturing firms in making use of modern manufacturing and production technologies. General taxpayer funds should not be used to provide assistance to one specific industry, as they are in the case of MEP. MEP's activities should instead be funded directly by their intended beneficiaries, America's manufacturing firms.

Minority Business Development Agency (1995 appropriation: $43.8 million). The Minority Business Development Agency attempts to promote the development of minority-owned businesses through the provision of management and technical assistance and assistance in gaining access to capital. MBDA activities often focus on how to secure government contracts, rather than on how to develop and maintain a business that caters to the demands of private consumers. Such activities are of dubious value. To encourage the development of minority-owned businesses, the federal government should instead focus on removing the many government impediments to the formation and growth of minority firms, such as unnecessary regulations and the onerous burden of taxation.

National Oceanic and Atmospheric Administration (1995 appropriation: $1,911.7 million). The National Oceanic and Atmospheric Administration accounts for roughly half the entire Commerce Department budget. Nearly three-fourths of NOAA's budget goes to support weather forecasting activities through the National Weather Service; the Office of Oceanic and Atmospheric Research; and the National Environmental Satellite, Data, and Information Service. Many of the specialized forecasting services conducted by NOAA specifically benefit the agriculture, shipping, and aviation industries. Taxpayers should not be forced to subsidize the provision of such forecasts, particularly when there are already hundreds of private companies providing weather forecasting services. The nonweather portion of NOAA's budget funds activities that benefit the fishing industry--such as analysis and dissemination of fishery industry information, fishery trade and export promotion, and industry assistance programs--and mapping and charting services used by private industry. Because those activities are well within the competence of the private sector, NOAA should be privatized.

U.S. Travel and Tourism Administration (1995 appropriation: $16.3 million). The U.S. Travel and Tourism Administration promotes the United States as a tourist destination for foreign travelers. USTTA's activities overlap with the billions of dollars already being spent by the American travel industry and by state and local governments in an effort to attract the vacation dollars of the world's travelers. Because private businesses and state and local agencies are the ones that have the most to gain, their efforts are far more likely to be effective than the efforts of USTTA bureaucrats in Washington and abroad. The USTTA was recently terminated by Congress. In response, an executive of Choice Hotels Co., the nation's second-largest lodging chain, stated, "The USTTA's efforts will not really be missed."[48]

Defense Department

Army Corps of Engineers (1995 appropriation: $3,408.9 million). The Army Corps of Engineers builds, operates, and maintains the nation's inland waterways system, including dams and other structures. Taxpayer funding of those activities is particularly beneficial to the private barge companies and bulk commodity shippers who make frequent use of those waterways. In addition, the corps' water supply and hydroelectric projects subsidize the water and power supplies of industry in the areas served by those projects.

Semiconductor Manufacturing Technology (SEMATECH) (1995 appropriation: $89.6 million). Through Sematech, a consortium of very large U.S. computer microchip producers formed in 1987, the Pentagon provides nearly $100 million a year in support to the semiconductor industry. But of the more than 200 chip makers in the United States, only 11 of the largest--including Intel and National Semiconductor--receive federal support from Sematech. Originally designed to help U.S. firms compete against foreign competition, Sematech now subsidizes the largest producers to help fend off smaller domestic competition. Sematech's second five-year authorization will expire in 1997. That schedule should be moved forward by one year, and the unneeded corporate welfare program should be terminated immediately.

Technology Reinvestment Project (1995 appropriation: $443.0 million). The Technology Reinvestment Project is the primary vehicle of the Defense Department's strategy to encourage the development of dual-use technologies (i.e., those with both military and civilian uses). Proponents of dual-use technology development argue that it will help to reduce procurement costs and enable the military to more rapidly integrate new technologies into defense systems. In reality, the millions of dollars of TRP research grants given to huge high-tech firms like Boeing, Hewlett Packard, and Texas Instruments end up subsidizing the development of profitable new civilian technologies that should be developed by private industry.

Energy Department

Energy Information Administration (1995 appropriation: $84.6 million). The Energy Information Administration collects and disseminates data on current energy sources, alternative energy sources, end uses, prices, supply and demand, and environmental matters. Using those data, EIA prepares voluminous forecasts, statistical analyses, and other reports. In a truly free market for energy, Congress and the executive branch would have little use for such information. Further, to the extent the information provided by EIA is deemed valuable by private industry, those firms should bear the cost of obtaining it. They should not be allowed to shift that cost to the taxpayer. In fact, much of the information provided by EIA is already being provided by the private sector and by nonprofit industry associations.

Energy Supply Research & Development (1995 appropriation: $3,314.5 million). The Energy Supply Research & Development program aims to develop new energy technologies and improve on existing technologies. ESRD activities include basic research at universities and national laboratories and applied research, development, and demonstration ventures in partnership with private-sector firms. Research areas include solar and renewable energy, nuclear fission, and magnetic fusion. Such activities are more appropriately conducted by private industry.

Fossil Energy Research & Development (1995 appropriation: $423.7 million). The Fossil Energy Research & Development program is designed to expand the technology base for private industry when developing new products and processes. The program supports activities ranging from basic research at universities and national laboratories to applied R&D and cooperative R&D ventures with private-sector firms. FERD also supports company-specific technology development and demonstration activities.

Power Marketing Administrations (1995 appropriation: $272.5 million). The federal government generates electric power at 127 federal dams under the authority of the five Power Marketing Administrations. That electricity is sold to large and profitable electric utility cooperatives at below-market rates. PMA-subsidized electricity ends up powering areas that include ski resorts in Aspen, Colorado, five-star hotels in Hilton Head, South Carolina, gambling casinos in Las Vegas, Nevada, and sprawling estates in some of the nation's most affluent neighborhoods.

Interior Department

Bureau of Mines (1995 appropriation: $152.4 million).

The Bureau of Mines engages in research in mining technology, minerals and materials science, health and safety, and environmental impact. The bureau collects and disseminates data on the worldwide production, consumption, and availability of various mineral commodities and it funds materials research partnership projects. Such industry-specific activities should be funded directly by the private minerals industry, not by the American taxpayer. The Bureau of Mines was slated for termination by Congress in its 1996 appropriations bill that funds the Interior Department. Since President Clinton vetoed that bill, the bureau's future status is uncertain.

Bureau of Reclamation (1995 appropriation: $841.2 million). The Bureau of Reclamation provides for the construction, operation, and maintenance of various water projects that provide power, water supply, irrigation, and flood control in the western United States. Since its establishment in 1902, the bureau's main goal has been to provide water supply for the agricultural industry in the western United States. Using taxpayer dollars to fund activities that provide assistance to one specific industry in one specific region of the country is an illegitimate function of government.

Transportation Department

Essential Air Service program (1995 appropriation: $33.4 million). The Essential Air Service program--referred to in the budget as Payments to Air Carriers--was created in 1978, when the airlines were deregulated, to ensure that air service was continued in small and rural communities where its provision had previously been mandated. EAS provides direct subsidies to airlines--primarily commuter carriers--that serve those areas. Several of the communities to which air travel is subsidized by EAS are high-priced resort areas. Thus the taxpayer helps underwrite luxury resorts and five-star hotels. EAS was intended to be a transitional program and was initially authorized for only 10 years, yet it has somehow managed to survive the budget ax year after year.

Federal Highway Administration: Demonstration Projects (1995 appropriation: $352.1 million). The Federal Highway Administration's earmarked demonstration projects--or "surface transportation projects," as they're called in the budget--represent pork-barrel politics at its finest. Each year members of Congress earmark millions of tax dollars to be used for demonstration projects in their districts. Much of the largesse of those unnecessary projects goes to benefit highway contractors and other private companies.

Maritime Administration: Operating-Differential Subsidies (1995 appropriation: $214.4 million). The Maritime Administration's Operating-Differential Subsidies program was established in an effort to ensure the maintenance of a private U.S. merchant fleet. The program provides direct subsidies to U.S.-flagged ship operators to offset the extent to which their operating costs exceed those of foreign shipping companies. However, by shielding U.S. shippers from foreign competition, the subsidies allow U.S. shippers to run higher cost, less efficient operations. The American taxpayer is then forced to pick up the tab for the industry's inefficiency.

Office of Commercial Space Transportation (1995 appropriation: $6.1 million). The Office of Commercial Space Transportation funds research and development activities on private-sector space transportation. The office's explicit goal is to encourage, facilitate, and promote commercial space launches by private-sector companies. If private industry wishes to launch vehicles into space, it should fund the requisite research and development with its own money, not with the money of the American taxpayers.

Independent Agencies and Other

Export-Import Bank (1995 appropriation: $782.1 million). The Export-Import Bank uses taxpayer dollars to provide subsidized financing to foreign purchasers of U.S. goods. Eximbank's activities consist of making direct loans to those buyers at below-market interest rates, guaranteeing the loans of private institutions to those buyers, and providing export credit insurance to exporters and private lenders. In effect, Eximbank subsidizes the exports of some of America's largest companies, including Boeing, General Electric, and Westinghouse. Furthermore, according to the Congressional Budget Office, in the 60 years of its existence, Eximbank has lost $8 billion on its operations--most of that in the last 15 years. In addition, the new subsidy costs for Eximbank are estimated to be about $800 million a year.

Overseas Private Investment Corporation (1995 appropriation: $58.3 million). The Overseas Private Investment Corporation provides direct loans, guaranteed loans, and political risk insurance to U.S. firms that invest in developing countries. OPIC's activities serve to underwrite Fortune 500 corporations, such as Coca-Cola and General Electric. Such private business investments should be financed by private banks and insurance companies--who can charge risk-based interest rates and premiums--not federal taxpayers.

Pennsylvania Avenue Development Corporation (1995 appropriation: $6.8 million). The Pennsylvania Avenue Development Corporation was established in 1972 to revitalize the one-mile stretch of Pennsylvania Avenue that lies between the U.S. Capitol and the White House. Much of PADC's budget went to fund improved sidewalks, streetlights, landscaping, and park areas along the avenue, thus creating a more attractive environment for the private businesses located there. PADC also purchased land along the avenue and then sold or leased it to private developers. In some cases, PADC provided relocation assistance directly to businesses that were displaced by its activities. PADC was scheduled to shut down in September 1997, but last year Congress moved the date forward to April 1, 1996. After spending $150 million in appropriations over the years, PADC is closing down with $197 million in debt owed to the federal government. While $100 million of that is to be paid off by rent collected on PADC property, how the rest will be paid is unknown.[49]

Small Business Administration (1995 appropriation: $917.4 million). The Small Business Administration provides direct loans and loan guarantees to small businesses, as well as administrative counseling and disaster relief. SBA's subsidized financing is targeted at small businesses owned by minorities or located in economically distressed areas or in areas struck by natural disaster. Those loan programs assist fewer than 1 percent of all small businesses. To qualify for an SBA loan a business must have been turned down for a loan by at least two banks. Not surprisingly, the SBA has a terrible record in selecting businesses to support; as many as 20 percent of its loans go sour in any given year.

Tennessee Valley Authority (1995 appropriation: $142.9 million). The Tennessee Valley Authority is a government-owned corporation established in 1933. Its primary activity is to operate a multi-billion-dollar electric utility that is the sole supplier of electric power to an 80,000-square-mile area in the seven states along the Tennessee River Valley. Other TVA activities include maintaining a system of dams, reservoirs, and navigation facilities that benefit the private shipping industry; managing 300,000 acres of public land and 11,000 miles of shoreline; conducting environmental research; and funding a variety of local economic development projects. The majority of TVA activities and assets should be privatized.

Trade and Development Agency (1995 appropriation: $45.0 million). The Trade and Development Agency provides grants to fund feasibility studies and other planning services for major economic development projects in developing countries. Those grants go largely to governments and to private investors in developing countries who then use the money to engage in commerce with U.S. businesses. TDA's projects thereby subsidize new business opportunities for large U.S. corporations, especially in the areas of consulting and engineering. Taxpayers should not be forced to fund such activities designed to develop new markets for private businesses. Private businesses should bear the full cost of marketing their goods and services.

Notes

1. See Stephen Moore and Dean Stansel, "Ending Corporate Welfare As We Know It," Cato Institute Policy Analysis no. 225, May 12, 1995.

2. Robert Reich, "Revolt of the Anxious Class," Speech before the Democratic Leadership Council, November 22, 1994.

3. Quoted in Brian Kelly, "The Pork That Just Won't Slice," Washington Post, December 10, 1995, p. C4.

4. See "President Clinton's Reasons for Vetoing the Republican Budget," White House Press Release, December 6, 1995.

5. Robert Shapiro, "Cut and Invest: A Budget Strategy for the New Economy," Progressive Policy Institute Policy Report no. 23, March 1995; Scott Hodge, ed., "Rolling Back Government: A Budget Plan to Rebuild America," Heritage Foundation, 1995; and "Cutting Federal Grants and Subsidies to Corporations," Essential Information, Washington, 1995.

6. See Michael Tanner, "Ending Welfare As We Know It," Cato Institute Policy Analysis no. 212, July 7, 1994.

7. The Progressive Policy Institute defines corporate welfare more narrowly: corporate welfare is specific targeted business subsidies "where there is no offsetting social policy objective." Robert Reich has written that corporate subsidies are acceptable in those cases where the spending serves a "broader public benefit." We believe that it is both illegitimate and unconstitutional for government to target subsidies to specific companies or industries regardless of whether there are offsetting social benefits or not.

8. Stuart Sweet, "Make Corporations Be Federal Santa," Capitol Analysts Network, Chevy Chase, Md., December 11, 1995.

9. Businesses do not pay taxes, they collect taxes. The taxes are paid by the owners of the business, the workers, and in some cases the consumers of the products and services.

10. See Jim Bovard, "Archer Daniels Midland: A Case Study in Corporate Welfare," Cato Institute Policy Analysis no. 241, September 25, 1995, pp. 7-26.

11. Theodore J. Forstmann, "The Paradox of the Statist Businessman," Cato Policy Report 17, no. 2 (March-April 1995): 1, 10-11.

12. Quoted in Linda Grant and Robert F. Black, "Getting Business off the Dole," U.S. News & World Report, April 10, 1995, p. 38.

13. "The GOP's Taxes," Wall Street Journal, September 15, 1995, p. A14.

14. Moore and Stansel, pp. 7-8.

15. Bovard, "Archer Daniels Midland."

16. Edward L. Hudgins, "Commerce Department Restructuring," Testimony before the U.S. Senate Committee on Governmental Affairs, July 27, 1995.

17. Economist Dale Jorgenson of Harvard University estimates that every additional dollar of federal spending costs the economy between 30 and 40 cents of efficiency lost from the taxes required to fund the spending. Hence, every additional dollar of spending would need to lead to at least $1.30 of public benefit to be an efficient transfer of resources. Dale Jorgenson, "The Economic Impact of Taxing Consumption," Testimony before the U.S. House Committee on Ways and Means, March 27, 1996.

18. For a discussion of the constitutional limitations on federal spending, see Roger Pilon, "On the Folly and Illegitimacy of Industrial Policy," Stanford Law and Policy Review 5, no. 1 (Fall 1993): 103-18.

19. See Stephen Moore,"The GOP Retreat," Investors Business Daily, July 20, 1995, p. A2.

20. Kenneth J. Cooper, "Energy Department Finds Ally on GOP Side," Washington Post, June 4, 1995, p. A4.

21. Carolyn Lochhead, "State Vintners Battling to Protect Subsidy," San Francisco Chronicle, June 5, 1995, p. 1.

22. Ibid., p. 11.

23. James Bovard, "The 1996 Farm Bill Fiasco?" Wall Street Journal, February 6, 1996, p. A14.

24. See "Mr. Peanut and Sugar Daddy," Wall Street Journal, September 29, 1995, p. A14.

25. Jeff Taylor, "Nutty Program," Carolina Journal, December 1995-January 1996, p. 13.

26. See Stephen Moore, "Mr. Corporate Welfare," National Review, January 29, 1996, pp. 22, 24.

27. See Dick Chrysler, "Trade Will Go On, Even without Commerce," Washington Times, May 30, 1995, p. A15; Hellene Cooper, "A Little of Everything Is Done at Department of Commerce Today," Wall Street Journal, May 11, 1995, p. A1; and Hellene Cooper, "Big Business and Clinton May Be Forced to Ally to Protect Commerce Department from GOP Ax," Wall Street Journal, December 29, 1994, p. A14.

28. "Ron Brown: Salesman," The Economist, February 25, 1995, p. 32.

29. Robert Reich and Ronald Brown, "No 'Corporate Welfare' on Our Watch," Letter to the editor, Wall Street Journal, June 26, 1995.

30. Bob Davis, "Reich Outlines Plan of Cost-Benefit Tests for U.S. Programs," Wall Street Journal, May 31, 1995, p. B10.

31. For a complete list, see Sweet.

32. Bovard, "The 1996 Farm Bill Fiasco?"

33. Peter Stone, "The Big Harvest," National Journal, July 30, 1994, p. 1791.

34. "This Clean Air Looks Dirty," New York Times, July 8, 1994, p. A26.

35. Bovard, "Archer Daniels Midland."

36. President Clinton secured a compromise in the FY 1996 Omnibus Appropriations Bill (H.R. 3019), signed into law on April 26, 1996, that allows ATP to survive with a 49 percent budget cut rather than being zeroed out. (That bill provided final FY 1996 funding for the agencies covered by the five regular appropriations bills that had not yet been signed into law and were previously being funded by continuing resolutions.)

37. Stephen Moore, "The Coming Age of Abundance," in The True State of the Planet, ed. Ron Bailey (New York: Free Press, 1995), pp. 109-39.

38. Kelly.

39. Pauline Abernathy et al., "Will Corporate Welfare Be Reined In? Congressional Action Related to Business

Subsidies," Center on Budget and Policy Priorities, Washington, October 10, 1995.

40. For another mistaken view of capital gains taxes and corporate welfare, see Michael Lewis, "Republican Socialism," New York Times Magazine, December 17, 1995, p. 30.

41. Eric Pianin and Albert Crenshaw, "Business Tax Breaks Targeted," Washington Post, September 14, 1995, p. A1.

42. Michael Cannon, "The 104th Congress's First Tax Increase?" Citizens for a Sound Economy, Capitol Comment, October 6, 1995.

43. Robert Shapiro, "Cut and Invest: A Budget Strategy for the New Economy," Progressive Policy Institute Policy Report no. 23, March 1995.

44. S.1376, the Corporate Subsidies Review, Reform and Termination Act of 1995.

45. See, for example, Joseph Kennedy, "Corporations Rake in Subsidies As Poor and Aged Suffer," Boston Globe, December 27, 1995.

46. Janice Shields and James M. Sheehan, "Left and Right Come Together on Ending Corporate Welfare," Washington Times, June 13, 1995, p. A21.

47. Cited in Ted Bunker, "Will GOP End Technology Pork?" Investor's Business Daily, December 20, 1994, pp. A1-A2.

48. Anthony Faiola, "Funding Shortfall Cuts Agency's Trip Short," Washington Post, February 7, 1996, p. A17.

49. Maryann Haggerty, "Pennsylvania Ave. at the Finish Line," Washington Post, March 30, 1996, pp. A1, A9.