CHALLENGING ‘CORPORATE WELFARE’:
GOVERNMENT SUBSIDIES AND A HEALTHY SOCIETY

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Government subsidies for private businesses have been a constant feature of U.S. capitalism, but it is only in the past 25 years or so that these subsidies have been defined by political forces on both the left and right as ‘corporate welfare.’ Since the election of the 104th Congress in 1994, over thirty-five bills and dozens of amendments have been introduced by both Democrats and Republicans calling for the abolition of various government programs that have been labeled as ‘corporate welfare.’ Many newspaper and magazine articles, including a four-part series in *Time* by Pulitzer Prize-winning investigative reporters Donald Barlett and James Steele published in November 1998, have examined the concept of corporate welfare. Commentators consistently point to Secretary of Labor Robert Reich’s speech before the Democratic Leadership Council in November 1994, shortly after elections that saw Republicans win control of the House of Representatives, as the origin of the term. However, the term had its origins in the New Left of the 1970s as a way of contrasting the positive way in which corporate recipients of government subsidies were labeled with the negative labels given to the poor and to government programs targeted to assisting the poor (‘Lockheed Goes on Welfare’ 1971; August 1971; Calhoun 1978; Moberg 1979; Brill 1980). As such, the term implied a commitment to socially rational forms of economic development emphasizing social equality, workers’ rights, and environmental protection. It is unclear today, after over twenty years of conservative political dominance, that the term has the same unambiguously critical meaning. People who are concerned with sustainable development must consider whether the political environment in which ‘corporate welfare’ became part of mainstream political debate has changed the term so drastically as to make its continued use problematic. I argue in this paper that, given the present
balance of political forces, advocates of sustainable development should consider using health rather than welfare as a foundation for continued challenges to government subsidies for corporations.

Estimates of annual federal spending on subsidies for private businesses that are labeled as ‘corporate welfare’ range from the libertarian Cato Institute’s figure of $65 billion (Stansel and Moore 1997) to the $167 billion estimated by the Center for the Study of Responsive Law (Donahue 1994; Shields 1995), which is associated with Ralph Nader. The most important source of this difference has to do with tax expenditures, which refer to reductions in government revenue resulting from elements of the tax code that benefit specific industries or businesses. Liberal-left policy organizations, such as the Center for the Study of Responsive Law, Public Citizen (Public Citizen 1983, 1985), Common Cause (Common Cause 1997a, 1997b), Friends of the Earth (Friends of the Earth 1998, 2002), and Citizens for Tax Justice (Citizens for Tax Justice 1996), argue for including tax expenditures as corporate welfare, since the effect on the budget is the same as if the government directly spent money to subsidize a corporation or industry; in addition, liberal-left organizations argue that, once added to the tax code, tax expenditures are not subject to the annual budget review process, and thus are that much harder to remove and pose that much greater a threat to democratic accountability. Conservative policy organizations such as the Cato Institute (Moore and Stansel 1995, 1996) and the Hoover Institution (Moore 1999), on the other hand, argue for excluding tax expenditures from accounts of corporate welfare, since for them the effect of reducing tax expenditures is the same as if taxes were increased. Liberal-left organizations can thus be said to construct a broad definition of corporate welfare, while conservative
organizations present a narrow definition. Although there have been efforts to construct coalitions between left and right to target specific programs for elimination, they have been constrained by strong and potentially irresolvable conflicts over the meanings that these organizations give to the term ‘corporate welfare.’

Framing ‘Corporate Welfare’

**Liberal-Left Frames**

The liberal-left framing of ‘corporate welfare’ emphasizes the power of corporations to ensure their interests are served at the expense of working people and the poor. Liberal-left critics see corporate welfare subsidies as providing private benefits to wealthy individuals or large corporations while imposing major social costs on the public. As a result, these subsidies undermine the goals of equity, justice, and environmental protection that are at the core of sustainable development. For example, the Mining Act of 1872 allows mining corporations to extract resources from public land for $5 an acre (the same price as in 1872) and leaves to the government the responsibility to clean up the land. Similarly, the U.S. Forest Service pays to construct logging roads in national forests, thereby not only reducing the costs of timber corporations but also contributing to further ecological degradation (see Friends of the Earth 2002). Subsidies to military contractors that encourage foreign arms sales have the consequence of arming potential adversaries and contributing to increased repression and insecurity abroad (Hartung 1998). The Telecommunications Act of 1996 gave the digital television spectrum, valued at $70 billion, to broadcasters for free; Congress also refused to impose any kind of civic responsibility, such as free time for election candidates or a greater
commitment to public interest programming, on broadcasters (Common Cause 1997a). The National Institutes of Health subsidizes basic research on drug and vaccine development by pharmaceutical corporations, which are then allowed to hold the patent and marketing rights to those drugs and vaccines; drug companies are under no obligation to make these drugs affordable, or even to make them available (should they be deemed unprofitable), and Congress has been receptive to efforts by corporations to extend patent protections, thereby limiting the availability of lower cost generic drugs to consumers (Public Citizen 1985).

In all of these cases, government subsidies privatize public resources while socializing the costs of economic activity. The term ‘corporate welfare’ is thus intended to emphasize the existence of systematic economic and political inequalities in the United States:

To say fairness demands that corporate welfare be cut when aid to old, blind, and disabled people has already been cut is laboring the obvious (Public Citizen 1985: 28).

Corporate welfare…seems to prove that whether Congress is controlled by Democrats or Republicans, pro-business policies and constituent concerns usually win out over budget-cutting promises (Chadd 1995: 18).

Welfare payments and tax breaks for allegedly ‘free market’ wealthy corporations must be examined and curtailed before payments to needy families and children are slashed. Failure to end corporate welfare as we know it makes a tragic mockery of the current debate on individual welfare (Shields 1995: 2)

From this perspective, fairness concerns the contrast between Congress’s readiness to cut social programs and its reticence to challenge corporate subsidies:

The current welfare ‘reformers’ in Congress and the Clinton administration emphasize the need to ‘end welfare as we know it’ for poor people, while ignoring the obvious higher cost of welfare for corporations…. Any honest welfare reform requires Congress and the President to conduct a comprehensive
study of the high cost of corporate welfare entitlements before slashing any sums provided to poor people (Donahue 1994: 1-2).

If business subsidies were reduced their proportionate share – a reduction in the neighborhood of $122 billion over seven years instead of $9 billion to $26 billion – that would ease pressures to cut back on other programs that are facing the ax rather than the scalpel (Center on Budget and Policy Priorities 1995: 12).

To the extent that liberal-left critics of corporate welfare accept the goal of a balanced budget (some organizations do, some do not), it should be achieved at the expense of corporations and the wealthy. Common Cause, for example, sees cuts in corporate welfare as providing resources for increased federal spending on a number of important social programs (Common Cause 1997a). In their study of the Telecommunications Act of 1996, Common Cause argued that an auction of the spectrum that ‘only’ raised $40 billion could pay for the construction of almost 6000 new elementary schools, provide eight years worth of subsidized lunches for low-income children, renovate and run every national park for the next 14 years, or ensure safe drinking water for the next 18 years (Common Cause 1997a: 10).

In addition to redirecting public resources away from private interests and toward social needs, liberal-left critics of corporate welfare argue for increased state regulation of capital. The state is seen as an institution that can rein in excessive corporate power. Far from arguing that government has no role in subsidizing private economic activity, these critics of corporate welfare advocate that the recipients of these subsidies be held accountable for their use of public resources so that they contribute to sustainable development:

[C]orporate welfare programs do not require the corporations that receive government aid to do anything in return. If Congress and the President decide that corporate welfare should continue, then they should also institute corporate workfare: in order to get cash grants or tax benefits corporations could be required
to benefit the public in some way – for example, by lowering their prices, improving worker safety, or improving the quality of their products (Public Citizen 1985: 28).

In his testimony before the House Budget Committee in June 1999 (U.S. Congress 1999: 194-196), Ralph Nader provided a more detailed outline of what these increased restrictions on corporate power might look like. Among other proposals, he called for giving citizens legal standing to sue government agencies that exceed their powers by granting unwarranted subsidies, limiting receipt of government subsidies to fixed periods of time, requiring public disclosure by corporations of information concerning subsidies received from government agencies, denying subsidies to corporations convicted of a certain number of crimes, and requiring non-monetary reciprocal obligations from corporations in return for government subsidies. Such restrictions on corporate power, by imposing democratic accountability on the private use of public resources to insure that they contribute to social equality and ecological sustainability, suggest the radical potential of the concept ‘corporate welfare.’

**Conservative Frames**

As ‘corporate welfare’ has become a more accepted term of political debate, however, this radical potential has been, if not lost, then rendered much more limited. Conservative hegemony over the past twenty years has created an environment in which ‘corporate welfare’ has been redefined in accord with market values. Thus, a term that in its origins was highly critical of the ability of free markets and unregulated corporate power to generate socially desirable outcomes has come to embrace those very ideas.
Conservative discourse on corporate welfare sees it as an example of government interfering with the workings of the market. Government subsidies distort market forces, which should be left alone. By injecting politics in what should be market decisions, corporate welfare poses a threat to a rational, efficient capitalism:

The underlying premise of federal business subsidies is that the government can direct capital funds more effectively than can venture capitalists and private money managers. But decades of experience prove that government agencies have a much less successful track record than do private money managers of correctly selecting winners (Moore 1999: 22).

[Corporate welfare subsidies] undermine the private economy’s potential for efficiency and innovation. … They artificially support a particular industry’s rate of return, tilting the market so that industry receives more resources than its economic prospects justifies, leaving fewer resources for other firms with more economic potential. Once established, wasteful subsidies also impede economic innovation by insulating the beneficiaries from the full force of competition and by rewarding them for continuing to do what they have done in the past (Shapiro and Soares 1997: 3).

[M]ost spending subsidies for business do not achieve their goals and are not in America’s economic interest. These subsidies can be expensive and actually hurt the economy. Subsidizing one business or industry rather than another distorts private investment decisions, taking resources from more efficient uses (Antonelli 1995: 2).

[Corporate welfare] can distort the market by maintaining industries that may not be able to compete on their own. Generally speaking, picking and choosing corporate winners is best left to the market (Jill Lancelot, Taxpayers for Common Sense, in U.S. Congress 1999: 296)

Since market forces are assumed to provide the most efficient economic outcomes, state interference in the market through corporate welfare interferes with the very foundations of capitalism. Subsidized industries and firms are insulated from market forces, while unsubsidized industries and firms must pay, through increased taxes, to subsidize their competition. Efforts to cut corporate welfare are thus consistent with efforts to free the
economy from state regulation that have characterized U.S. politics for the past twenty years.

More specifically, there are two major sub-themes within this framing of corporate welfare. Corporate welfare is seen as fundamentally unfair because it provides benefits to businesses or wealthy individuals in a highly selective manner. Instead of government subsidies being the result of a fair, rationalized process, they instead are the product of political connections or, even worse, corruption. As a result, businesses encounter an uneven playing field:

The major effect of corporate subsidies is to divert credit and capital to politically well-connected firms at the expense of their less politically influential rivals (Moore 1999: 23).

The antitrust laws unfortunately lend themselves to the creation of artificial monopoly power at the urging of special interests. Coercive monopoly should be recognized as the coercive welfare that it actually is, rather than an attribute of the free marketplace (Crews 1997: 13-14).

ADM’s [Archer Daniels Midland, a major recipient of government subsidies for sugar and ethanol] success highlights the absurdity of the interventionist state in which imaginative and highly skilled political businessmen can get hundredfold returns on their handouts to politicians (Bovard 1995: 6)

[Industry subsidies] may preserve jobs in particular industries, but those job gains are offset by job losses in firms and industries forced to compete on an uneven playing field (Robert Shapiro, Progressive Policy Institute, in U.S. Congress 1996: 5)

The major effect of corporate subsidies is to divert credit and capital to politically well-connected firms at the expense of if their politically less influential competitors….Much of what passes today as benign industrial policy is little more than a political payoff to favored industries or businesses (Moore and Stansel 1995: 6)

Corporate welfare breeds corruption. If you have got people handing out tens and hundreds of millions of dollars, people will find ways to get that and they are not pretty and they are not honest. You want campaign finance reform, get rid of corporate welfare (Grover Norquist, Americans for Tax Reform, in U.S. Congress 1999: 332)
Corporate welfare interferes with the level playing field provided by market competition, in which price and quality determine economic success, and instead privileges those businesses with political influence. Thus, reducing corporate welfare is important to restore a level playing field for all businesses.

A second, related sub-theme sees corporate welfare as wasteful government spending. Not only is corporate welfare spending unfair, it does not provide the economic benefits claimed by its supporters. During a period in which both Republicans and Democrats have been committed to eliminating budget deficits, subsidies labeled ‘corporate welfare’ offered a useful target in efforts to reduce government spending, achieve a balanced budget, and reduce taxes:

Unfortunately, corporate welfare has been the largest fiscal blind spot of Congressional budget cutters…. Reducing the deficit – and balancing the budget by 2002 – will be difficult, if not impossible, to achieve without dramatic reductions in the corporate safety net (Stansel and Moore 1997: 5).

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 (Moore and Stansel 1996: 4).

The projected budget surplus that has been making headlines…in no way obviates the need to reduce unnecessary and wasteful government spending. There is never a time to waste the hard earned money of taxpayer dollars. Instead, Congress should work to further bolster America’s current economic strings by removing the drain of corporate welfare, a misguided spending priority that needs to end now (Jill Lancelot, Taxpayers for Common Sense, in U.S. Congress 1999: 296).

This theme is supplemented by the argument that many subsidy programs may have, at one time, been productive uses of government money, but that the usefulness of these programs has ended.
Rather than defining fairness in terms of the needs of workers and communities, as the liberal-left critique of ‘corporate welfare’ does, the conservative critique defines fairness in terms of the needs of business. In this context, government subsidies are distributed unequally on the basis of political connections while imposing undue burdens on non-recipients. What appears to be a critique of corporations in fact accepts economic orthodoxy and is another expression of the right’s project of freeing the market from the state.

Analysis

Despite the fact that commentators tend to emphasize the bipartisan nature of opposition to corporate welfare (Hershey 1995; Pianin and Blustein 1997; Rosenbaum 1997), in fact this bipartisanship is highly problematic. There is considerable overlap in terms of the specific proposals to cut corporate welfare offered by both conservative and liberal-left opponents, but the meanings underlying these proposals are very different. Given conservative control of Congress as well as the global power of neo-liberalism, the conservative construction of corporate welfare is the dominant. It was only after the Republicans’ 1994 takeover of the House of Representatives that corporate welfare emerged in mainstream political debate as a way to describe government subsidies for business. Two other examples further demonstrate this dominance. A 1995 Congressional Budget Office report on federal subsidies (Congressional Budget Office 1995), while not addressing whether such subsidies constitute corporate welfare, discussed the term solely in terms of the conservative definitions presented by the Cato Institute, the Progressive Policy Institute, and the Heritage Foundation; liberal-left definitions were ignored. More
generally, media coverage of Congressional debates on corporate welfare has likewise
emphasized conservative definitions of the problem. Barlett and Steele’s award-winning
series in *Time* suggests that corporations will by definition seek to reduce their costs in
order to maximize profits, and so they cannot be blamed for the problems associated with
corporate welfare. The real problem lies with the state:

> The companies are certainly not reluctant to take the money, though, which is
available if they simply utter the word relocation. And why not? Corporate
executives, after all, have a fiduciary duty to squeeze every dollar they can from
every locality waving blandishments in their face (Barlett and Steele 1998: 38).

While Barlett and Steele provide only two quotes from members of policy formation
networks in their series of articles, both quotes come from the same source: the
libertarian John Locke Foundation. Since corporate power and profit maximization are
accepted as givens, their critique of corporate welfare in fact becomes a critique of the
state.

This interpretation of ‘corporate welfare’ undermines the more critical
interpretation offered by the liberal-left in two ways. First, even though the conservative
policy organizations critical of corporate welfare are arguing a case that challenges the
economic interests of many powerful corporations, they do so from a position that is fully
consistent with contemporary ‘common sense’ about the market. The market is seen as
the only valid mechanism for distributing economic resources, and so the liberal-left’s
goal of sustainable development is rejected as unwarranted intervention in the workings
of the market; since the market produces the most efficient outcomes, actions that seek to
‘impose’ social goals such as equality or environmental protection will only hinder the
operation of the market. Rather than pointing to systematic economic and political
inequalities, the dominant constructions of ‘corporate welfare’ see the problem as the
behavior of particular corporations and wealthy individuals. If the problem is caused by a few ‘bad apples,’ then there is no need for institutional mechanisms to keep corporations accountable to the public. Indeed, if anything, the conservative critics of corporate welfare call for a further weakening of state policy (see, for example, the comment by Time’s editor-in-chief Norman Pearlstein that “it may make more sense to simply do away with both corporate welfare and corporate taxation”(my emphasis) to create a level playing field for businesses (Pearlstein 1998: 8)).

Second, whereas the liberal-left uses ‘corporate welfare’ to point to the differences in treatment received by different groups of recipients of government subsidies, conservatives point to their perceived similarities. Recipients of ‘corporate welfare’ are, from this perspective, seen as just as dependent as the poor and just as deserving of having their taxpayer-subsidized lifestyle ended. For example, Stephen Moore of the Cato Institute argues that “Corporate welfare has all the systematic debilitating effects, including dependency and self-destructive behavior, that characterized the troubled legacy of the Great Society social welfare agencies (Moore 1999: 2). This equivalence has been uncritically accepted in media coverage of government subsidies for business. Just as welfare “was unfair, destroyed incentive, perpetuated dependence and distorted the economy….the same indictment, almost to the word, applies to corporate welfare”(Barlett and Steele 1998a: 38). Referring to the Department of Agriculture’s Market Access Program, which provides support to corporations for marketing their products abroad, one reporter called it the “epitome of the scourge of corporate welfare – the equivalent, say, of the Cadillac-driving, vodka-swilling welfare queen that Ronald Reagan used to talk about”(Rosenbaum 1997: E2). In
addition, just like welfare, corporate welfare is maintained by a “corporate welfare bureaucracy” of lawyers, accountants, planners, and others “who earn their living by giving away taxpayer dollars” (Barlett and Steele 1998b: 67). Thus, just as it was proper to ‘reform’ welfare to end poor people’s dependence on the state, it is now seen as proper to end corporate dependence on the state.

If this is what the public encounters when they read about corporate welfare in the news media, then liberal-left critics are faced with a serious problem. With the term’s original irony removed by over twenty years of conservative political dominance in this country, continued use of ‘corporate welfare’ to describe government subsidies for corporations reinforces the stigmatization of the poor. This is in opposition to the liberal-left’s goal of sustainable economic development, which must be based on social inclusion and the pursuit of economic justice. Advocates of sustainable development must therefore confront explicitly the current anti-welfare consensus as they criticize government subsidies for corporations.

One way to do this is to reconsider the use of the term ‘corporate welfare.’ Some have offered ‘corporate wealthfare’ as an alternative (Zepezauer and Naiman 1996), although this seems not to have caught on, perhaps because it sounds awkward. I would argue that liberal-left critics of government subsidies might frame their critique of corporate power in terms of what is necessary for a healthy society. Subsidies can be understood as a threat to public health to the extent that they impose substantial social costs (through, for example, lower wages or degraded working conditions, environmental destruction, and higher prices or limited availability of necessary goods and services). Such a framing of government subsidies would avoid the stigma that has long been
associated with ‘welfare’ in the United States (Gans 1995; Katz 1989, 1996; Noble 1997; Piven and Cloward 1993), thereby allowing for a more inclusive movement against these subsidies; to the extent that subsidies for corporations redistribute public resources upward, such subsidies impose a particularly heavy burden on the poor, and so they should be seen as part of a movement against these subsidies rather than an outsider. At the same time, framing subsidies in terms of health would allow the liberal-left to more effectively challenge conservative hegemony by rejecting the idea that government has no role to play in the market; the problem is not the existence of subsidies per se, but the nature of those subsidies (what is subsidized, how accountable are the recipients of subsidies, etc.). Since ‘health’ lacks the negative meanings associated with ‘welfare,’ advocates of sustainable development can identify subsidies that contribute to a healthy society. Rather than implicitly suggesting a reduction in government’s responsibility to provide resources, as do efforts over the past twenty years at ‘welfare reform,’ an emphasis on the needs of a healthy society would allow for a much stronger role for government in the market.

**Bibliography**


