Policy Analysis

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The Corporate Welfare Budget Bigger Than Ever

by Stephen Slivinski

Executive Summary

Federal subsidies to private businesses cost taxpayers $87 billion per year. That is over 30 percent more than the Cato Institute's 1997 corporate welfare estimate of $65 billion. If corporate welfare were eliminated tomorrow, the federal government could provide taxpayers with an annual tax cut more than twice as large as the tax rebate checks mailed out in 2001.

President Bush's first proposed budget recommends about $12 billion in total corporate welfare cuts. Most notable are the proposed cuts for the Advanced Technology Program, the Export-Import Bank, the Overseas Private Investment Corporation, the Maritime Administration's guaranteed loan program, and the Small Business Administration. However, the Bush budget proposal also increases some of the largest corporate welfare programs, such as federal aid to oil companies through the fossil energy research and development program and research subsidies to aerospace companies as well as increases for the National Agricultural Statistics Service, the Foreign Agriculture Service, and the Conservation Reserve Program.

Spending bills working their way through the House and Senate Appropriations Committees have reversed or diluted Bush's proposed cuts. While the House kept intact the cuts for the Advanced Technology Program and the Overseas Private Investment Corporation, it diluted the cuts for the Small Business Administration and the Export-Import Bank. The Senate voted to increase the budgets for the Advanced Technology Program and federal assistance to energy companies.

The Advanced Technology Program, the Small Business Innovative Research program, the Partnership for the Next Generation of Vehicles, and the Export-Import Bank are among the worst corporate welfare programs. They subsidize large, profitable corporations at the expense of taxpayers for projects that already receive, or could receive, adequate funding from the private sector.

A good way to abolish corporate welfare programs would be to convene a corporate welfare reform commission (CWRC). That commission could function like the successful military base closure commission. The CWRC could compose a list of corporate welfare programs to eliminate and then present that list to Congress, which would have to hold an up-or-down vote on the commission proposal. The commission would help reform-minded legislators to end federal subsidies to business.

Stephen Slivinski is a fiscal policy analyst at the Cato Institute.

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Introduction

In its first budget, the Bush administration hinted at its intent to reappraise the federal government's role in subsidizing private businesses. The administration's proposed cuts in a handful of corporate welfare programs are a clear departure from the White House policy of years past. In contrast, President Clinton proposed aggregate increases of 10 percent for major corporate welfare programs almost every year he was in office.[1]

It's been many years since the last attempt to cut government subsidies to business. An attempt was made under the Contract with America when the Republicans took control of both houses of Congress in 1994.[2] That attempt failed, and little has been done since to curtail corporate welfare spending.[3]

There are some signs that the new administration is willing to take a fresh look at government subsidies to business, even if the Bush White House staff does not use the term "corporate welfare" in its public statements. For example, Mitch Daniels, director of the Office of Management and Budget, recently noted that some programs "have nothing to show for years and years and years of essentially subsidizing corporate research budgets."[4] At times, Daniels has been even more pointed in his criticism of corporate welfare. As the *Financial Times* reported in March, he said that "it was not the federal government's role to 'subsidize, sometimes deeply subsidize, private interests.'"[5] Subsidizing private interests not only costs taxpayers money; it is beyond the bounds of the federal government's role as outlined in the U.S. Constitution.

Even though there is bipartisan support for eliminating many major corporate welfare programs, little has been done to stem the tide of funding for them. This study provides detailed estimates of the billions of dollars in the federal budget that go to assisting private business and descriptions of the federal programs that distribute that money. The study also provides case studies of some of the most egregious corporate welfare programs, assesses the strength of the Bush administration's proposed cuts in programs and how Congress has already begun to resist them, and concludes by proposing a way to end corporate welfare programs.

Estimates of Corporate Welfare

The federal government dished out $87 billion for corporate welfare in the federal budget in fiscal year 2001, as detailed in Table 1. Descriptions of the programs appear in Appendix 1. In 1997 the Cato Institute estimated the cost of corporate welfare as $65 billion a year.[6]

The corporate welfare budget supports a wide-ranging collection of programs. As Table 2 shows, many agencies administer federal subsidies to business. The departments that are the leading corporate welfare providers are the Departments of Agriculture and Commerce, followed by the Department of Energy. That multiagency spigot of corporate welfare spending is one of the institutional biases in favor of budget growth since it's hard for any one congressional committee to target much of the corporate welfare budget. The corporate welfare state transcends any particular agency or interest group.

These estimates differ from measures of corporate welfare by other groups. For instance, the Congressional Budget Office occasionally updates its estimate of "federal financial support of business."[7] The CBO estimate typically includes only programs that have a stated goal of promoting commerce or business. It excludes major research and development (R&D) initiatives that underwrite the research budgets of private corporations, and it ignores most infrastructure spending, much of which funds transportation boondoggles that would not have been funded in the absence of federal support and that serve only to enrich the bottom line of local contractors

Table 1
Corporate Welfare Programs by Federal Agency (FY01 outlays in millions of dollars)

Department	Outlay
Department of Agriculture	
Agricultural Credit Insurance Fund	1,007
Agricultural Marketing Service	817
Agricultural Research Service	900
Commodity Credit Corporation	
BioEnergy Program	150
Export Loans Program	315
Other Programs	7,187
Commodity Price Supports	14,570
Conservation Reserve Program	1,656
Cooperative State Research, Education & Extension Service	1,020
Economic Research Service	66
Export Enhancement Program	478
Farm Service Agency	896
Federal Crop Insurance Corporation	2,583
Foreign Assistance Programs (Public Law 480)	1,295
Forest Service, State and Private Forestry	363
National Agricultural Statistics Service	100
Natural Resource Conservation Service	1,074
Market Access Program	123
Rural Development Programs	
Rural Community Advancement Program	876
Rural Business-Cooperative Service	60
Rural Utilities Service	255
Total, Department of Agriculture	35,791
Department of Commerce	
Advanced Technology Program	132
Economic Development Administration	411
Information Infrastructure Grants	29
International Trade Administration	305
Manufacturing Extension Partnership	109
Minority Business Development Agency	23
National Oceanic and Atmospheric Administration	
American Fisheries Promotion Act	6
National Environmental Satellite, Data and Information Service	125
National Marine Fisheries Service	735
Office of Technology Policy	17
Total, Department of Commerce	1,892
Department of Defense	
Army Corps of Engineers	4,571
Cargo Preference Program	355
Defense Advanced Research Projects Agency	
Defense Research Sciences	110
Computing Systems and Communications Technology	334
Materials and Electronics Technology	264

Continued

Table 1—*Continued*

Department	Outlay
Defense Export Loan Guarantees	7
Foreign Military Financing	4,213
Foreign Military Sales	460
Total, Department of Defense	10,315
Department of Energy	
Clean Coal Technology	75
Energy Conservation	568
Energy Information Administration	74
Energy Supply	655
Fossil Energy Research and Development	418
General Science and Research Activities	2,993
Power Marketing Administrations	
Southeastern	5
Southwestern	28
Western	201
Total, Department of Energy	5,017
Department of Housing and Urban Development	
Community Development Block Grants	5,058
Federal Housing Administration Subsidies	2,413
Total, Department of Housing and Urban Development	7,471
Department of the Interior	
Bureau of Reclamation	959
U.S. Geological Survey	925
Total, Department of the Interior	$1,884
Department of Transportation	
Federal Aviation Administration	
Operations/Air Traffic Control	6,569
Commercial Space Transportation	12
Essential Air Service	50
Grants-in-Aid for Airports	2,174
Federal Highway Administration	
Demonstration projects	296
Intelligent Transportation System	257
Federal Maritime Administration	
Maritime Guaranteed Loan Subsidies	93
Maritime Security Program	99
Ocean Freight Differential Subsidies (cargo preference)	80
Operating Differential Subsidies	27
Operations and Training	105
Federal Railroad Administration	
Amtrak Subsidies	554
Next Generation High-Speed Rail	26
Northeast Corridor Improvement Program	18
Railroad Research and Development	26
Total, Department of Transportation	10,386

Department	Outlay
Independent Agency, Multiagency, and Other Programs	
Agency for International Development	2,415
Appalachian Regional Commission	115
Corporation for Public Broadcasting	342
Export-Import Bank	1,695
In-Q-Tel (Central Intelligence Agency)	28
International Trade Commission	50
NASA: Aerospace Technology and Commercialization	1,369
National Institutes of Health: Applied Biomedical Research/Clinical Development	6,070
Overseas Private Investment Corporation	55
Partnership for a New Generation of Vehicles	298
Small Business Administration	757
Small Business Innovation Research Programs	1,000
Trade and Development Agency	55
Total	14,249
Grand Total	87,005

Source: Based on data from *Budget of the United States Government, Fiscal Year 2002* (Washington: Government Printing Office, 2001).

Table 2
Corporate Welfare as Share of Departmental Budgets

Department	Corporate Welfare Costs ($ millions)	Percentage of Budget
Agriculture	35,791	51%
Commerce	1,892	34%
Energy	5,017	30%
Interior	1,884	22%
Transportation	10,386	21%
Housing and Urban Development	7,471	20%
Defense	10,315	4%

Source: Author's calculations based on data from *Budget of the United States Government, Fiscal Year 2001—Historical Tables,* p. 75.

and construction companies. The CBO estimate also includes certain tax preferences, whereas this report does not.

The Green Scissors Campaign publishes a report every year detailing "environmentally destructive" corporate welfare spending.[8] The Green Scissors study, however, is incomplete in that it does not include corporate welfare spending that does not affect the environment. It also includes some tax expenditure items and some regulatory costs that this report does not.[9]

What Is (and Is Not) Corporate Welfare?

Sometimes corporate welfare supports profitable companies that don't need any help.

For the purposes of this study, corporate welfare is defined as any government spending program that provides payments or unique benefits and advantages for specific companies or industries. This includes direct subsidies (to prop up commodity prices or provide cut-rate insurance and loans, for instance), grants, funding for specific applied research that helps bring profitable products to market, and other special privileges that benefit targeted firms or industries. Sometimes corporate welfare supports profitable companies that don't need any help. Sometimes corporate welfare programs prop up industries that are doing a poor job in the marketplace and should be allowed to fail.

This report counts only corporate welfare that is a result of the direct expenditures of the subsidy programs of the federal government listed in Table 1. It does not take into account tax preferences or trade restrictions. It also does not account for implicit benefits received by government-sponsored enterprises. Those issues are discussed in Appendix 2.

How Corporate Welfare Fares in the Bush Budget

The Bush administration has stated its intent to curtail increases in corporate welfare spending and possibly even eliminate some subsidy programs. However, there are many corporate welfare programs that escape the ax in the new budget proposal and a handful that receive fatter budgets, as detailed in Table 3. The following are some highlights.[10]

- Some of the biggest cuts come in the corporate welfare programs that have been opposed by many lawmakers on both sides of the aisle for years. The Advanced Technology Program would be cut by 91 percent in Bush's budget as a result of the White House's proposed moratorium on any new ATP grants. The Export-Import Bank receives a cut of around 25 percent, and an increase in the Overseas Private Investment Corporation credit subsidy is discontinued, leading to an overall budget decrease of 25 percent.
- Agriculture programs in the budget are selected for reductions but only because, unfortunately, of a few unrealistic assumptions. Most commodity subsidies get a proposed cut of around 40 percent and the main subsidized farm loan program—the Agricultural Credit Insurance Fund—would be cut in half. However, many of the proposed cuts are predicated on the notion that Congress will maintain the phaseout schedule for subsidies included in the Freedom to Farm Act of 1996. But Congress has simply ignored that schedule and increased payments to farmers every year since with supplemental appropriations bills (equaling at least $28.3 billion since 1996).[11] Even though the reform bill was supposed to decrease payments to farmers, there has been a more than 200 percent overall inflation-adjusted increase in "farm income stabilization" payments since the bill passed in 1996.[12]
- Despite the proposed farm program cuts, the farm lobby still gets some goodies in the Bush budget: increases in the Farm Service Agency ($63 million, or 7 percent), Federal Crop Insurance ($232 million, or 8 percent), the Foreign Agricultural

Table 3
Corporate Welfare in the Bush Budget: Major Cuts and Increases in the President's FY02 Budget Proposal

Program	Reduction (budget authority in $ millions)	Percentage Change from FY01
	Cuts	
Advanced Technology Program	133	-91%
Agricultural Credit Insurance Fund	448	-50%
Agricultural Export Loans	39	-13%
Agricultural Marketing Service	43	-4%
Appalachian Regional Commission	11	-14%
Army Corps of Engineers	636	-14%
Commodity Support Payments[a]	3,817	-47%
Community Development Block Grants	411	-8%
Cooperative State Research, Education & Extension Service	144	-13%
Economic Development Administration	76	-19%
Energy Conservation	39	-7%
Energy Supply	116	-18%
Essential Air Service	10	-20%
Export-Import Bank	227	-25%
Federal Housing Administration Mortgage Subsidies	140	-3%
Maritime guaranteed loan subsidies	43	-91%
Market Access Program	33	-27%
National Marine Fisheries Service	85	-12%
Ocean Freight Differential Subsidies	32	-40%
Overseas Private Investment Corporation	31	-25%
Partnership for a New Generation of Vehicles	15	-6%
Rural Development Programs[b]	777	-42%
Small Business Administration	117	-37%
State and Private Forestry	175	-42%
	Increases	
Bureau of Reclamation	18	2%
Conservation Reserve Program	132	8%
Defense Cargo Preference Program	6	2%
Export Administration	4	6%
Farm Service Agency	63	7%
Federal Crop Insurance Corporation	232	8%
Foreign Agricultural Service	7	6%
Fossil Energy Research and Development	96	21%
NASA: Aerospace Technology and Commercialization	984	72%
National Agricultural Statistics Service	13	13%
National Environmental Satellite, Data and Information Service	7	6%

Source: Author's calculations based on data from *Budget of the United States Government, Fiscal Year 2002—Appendix.*

[a]Feed grains, wheat, rice, and cotton price support payments.

[b]Rural Community Advancement Service, Rural Housing Service, Rural Utilities Service, and Rural Business-Cooperative Service.

Service ($7 million, or 6 percent), and the National Agricultural Statistics Service ($13 million, or 13 percent).

- One of the worst government boondoggles, the Maritime Administration's guaranteed loan program, benefits the U.S. shipbuilding industry. Bush proposes to cut that program by 91 percent. The ocean differential freight program—which subsidizes U.S. merchant marine ships to transport food overseas—receives a proposed cut of 40 percent.
- The Small Business Administration, a longtime target of opponents of corporate welfare, receives a substantial cut of 37 percent in the Bush budget, mostly decreases in loan subsidies and discontinuation of certain programs such as the New Markets Venture Capital loan program.[13]
- The Bush budget proposes an increase in the Conservation Reserve Program budget of $132 million. The CRP is notorious for paying farmers not to grow crops on their land.
- The largest increase in corporate welfare comes in the NASA budget. The Bush administration proposal boosts the budget to aid aerospace company research and development (R&D) budgets by $984 million, or 72 percent.
- The administration's recent energy plan contains a lump of coal for taxpayers. While there are cuts in energy conservation and (renewable) energy supply programs (a total cut of $155 million, or 23 percent, in energy supply research) and a small cut of $15 million, or 6 percent, in the Partnership for the Next Generation of Vehicles, there is a $96 million, or 21 percent, increase in fossil energy R&D, not to mention myriad tax credits for the energy industry. A better approach would be to get the government out of the power industry altogether and terminate all energy programs—renewable, fossil, or otherwise.

The net corporate welfare cuts in the Bush budget amount to $12 billion, about 13 percent of the total corporate welfare spending outlined in this study.[14] Though meager, these are the largest proposed cuts in many of these programs' budgets since Ronald Reagan was in the Oval Office.

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Recent Congressional Action on Corporate Welfare

By the time of Congress's summer recess in August, 9 of the 13 appropriations bills for FY02 had passed the House and 5 had passed the Senate. Those bills will still have to go through conference committee to have their differences worked out. Still, the original bills can give a preliminary indication of where the budgets of individual programs might end up. President Bush, of course, has the option of vetoing bills that reverse of dilute his proposed cuts in corporate welfare programs. The status of some particular programs in the current bills follows.[15]

- The current House spending bill for the Department of Commerce includes the cuts to the ATP recommended by the Bush administration and proposes eventual elimination of the program.[16] The Senate bill, however, recommends an increase in the current budget of more than $55 million, or at least 38 percent.[17] The ATP has survived numerous attempts by the House to kill it over the past few years, mostly as a result of the Senate negotiators' ability to sustain support for it in conference committee.
- The Export-Import Bank and the Overseas Private Investment Corporation met with different fates in the House. The Bush administration's proposed discontinuation of subsidies to OPIC is in the House bill. However, the Export-Import Bank fares better: the House bill advocates a cut of only $125 million, or 15 percent, as opposed to Bush's proposed cut of 25 percent.[18] The

bill funding these programs did not pass the Senate before the summer recess.

- The Small Business Administration received a smaller recommended cut in the House than Bush originally proposed: a $130 million proposed cut in the House bill amounts to a 15 percent decrease, while the White House's recommended cut of $317 million amounts to a 37 percent decrease.[19] Meanwhile, the Senate Appropriations Committee has proposed an even smaller cut of 10 percent in the SBA budget.[20]
- The House and Senate versions of the president's energy plan would increase federal aid to the energy industry more than would the White House's budget proposal. While the Bush administration recommended a cut of 18 percent to the $655 million in federal assistance to the R&D budgets of energy companies, the House recommends only a 3 percent cut, and the Senate actually increases the budget by $81 million over last year, for a 13 percent increase.[21]
- The Farm Security Act of 2001, which passed the House Agricultural Committee on July 27, 2001, recommends a doubling of the budget for the Market Access Program, which gives money to agricultural trade associations to advertise products overseas.[22] This is in direct opposition to the 27 percent cut that the White House recommended.

What's Wrong with Corporate Welfare?

Supporters of federal subsidies to private industry often maintain that government support of business is in the national interest. Government support is said to protect industries from failure and to preserve high-paying American jobs, finance research activities that private industries would not finance themselves, maintain the competitiveness of certain industries, and assist socially disadvantaged groups in establishing new businesses.

Those arguments do not stand up under scrutiny. In fact, when it comes to subsidies and trade barriers, often instituted to maintain competitiveness, there is a great deal of value to "unilaterally disarming."[23] Lower prices of products for consumers would be one immediate and tangible benefit of abolishing trade barriers that support and protect favored industries. If subsidy cuts were accompanied by tax cuts, the lowering of the tax burden would be another clear benefit to consumers, workers, and the U.S. economy. That factor alone would make the United States even more competitive with the high-tax, high-subsidy nations of the European Community and with Japan.

Protectionism produces no substantial long-term economic gains. Industrial policies and the politics of "crony capitalism," for instance, have begun to collapse and cause economic problems in Japan and elsewhere in Asia. Japan is beginning to abandon the very policies that proponents of U.S. corporate welfare support.[24]

There are many other reasons why such policies are misguided and counterproductive.

Winners and Losers

The federal government has a disappointing record of picking winners and losers. The function of private capital markets is to direct investment to industries and firms that offer the highest potential rate of return. The capital markets, in effect, are in the business of selecting corporate winners and losers. Yet the underlying premise of federal business subsidies is that the government can direct the limited pool of capital funds just as effectively as, if not better than, venture capitalists and money managers. The truth is that capital markets rely on more sophisticated knowledge, and in much larger quantities, than a government could ever collect, use effectively, or even fathom. That dooms most capital allocation decisions by government bureaucracy to failure.[25] As T. J. Rodgers, president and CEO of Cypress Semiconductors, has noted, when the federal government tries to control investment capi-

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tal, the "proven moneymakers and job creators lose control over the investment of their funds, and unproven Washington amateurs take over."[26]

The evidence supports this contention. For instance, the Small Business Administration, which subsidizes loans to small businesses, has a delinquency rate of up to 15 percent in any given year.[27] The average delinquency rate for similar commercial loans by private lenders is around 2 percent.[28]

The same goes for agricultural loans. The Farm Service Agency's direct farm loan portfolio has a delinquency rate of just over 28 percent.[29] In fact, a Department of Agriculture study stated: "All major institutional lender groups except the Farm Service Agency continue to experience historically low levels of delinquencies, foreclosures, net loan charge-offs, and loan restructuring."[30] Indeed, the corresponding private delinquency rate was no higher than 5.4 percent over the last 10 years, and that rate has been declining.[31] Taxpayers lost more than $2 billion in defaulted government agricultural loans between 1995 and 1997.[32]

Congressional oversight and agency reforms might reduce those default rates only slightly. But the fundamental fact will always remain: government, by its nature, will never be able to participate in a capital market effectively and efficiently.

Subsidies create a perverse incentive for businesses.

Uneven Playing Field

Corporate welfare creates an uneven playing field. Many policymakers think that federal subsidies to business are a pro-business government policy. That may be true, but only for the companies that receive the subsidies. The companies that do not receive subsidies are still taxed to pay for the benefits of the others.

In addition, business subsidies, which are sometimes justified because they are said to correct distortions in the marketplace, create huge market distortions of their own. After all, corporate subsidies divert credit and capital to politically well connected firms, not the most efficient producers. As Robert J. Shapiro, President Clinton's under secretary for economic affairs in the Department of Commerce, has said, "These special industry entitlements force taxpayers, consumers, and businesses to transfer more resources to influential sectors than [they] would otherwise require, and consequently, they leave less capital and less labor for everyone else."[33]

An Incestuous Relationship

Corporate welfare fosters an incestuous relationship between business and government. In Washington today industry trade associations and lobbying firms continually pressure lawmakers to give out new business subsidies or to protect long-standing handouts. This is a natural byproduct of a government that uses its power to give taxpayer money to favored interests. If there were no possibility that subsidies might be offered, demands for them would diminish if not disappear. The reality, however, is that the federal government has been redistributing wealth for at least the past 60 years.

This environment is sustained by a budget process that stacks the deck in favor of new spending. It is also nurtured by the problem of diffuse costs and concentrated benefits.[34] That is seen when subsidies are given to a few at the expense of the many. Because there is such a large number of taxpayers—and each corporate welfare subsidy may cost each taxpayer only a few cents or a few dollars—most individual citizens don't have an interest in lobbying against subsidies since the cost of doing so far outweighs simply paying the taxes. However, the recipients of those subsidies have a substantial interest in making sure they protect the flow of money to them. That leads to a great deal of lobbying by special interests but very little lobbying on behalf of the taxpayer.

In addition, subsidies create a perverse incentive for businesses: if their competitors are receiving help from the government, it appears to be in their interest to try to get some help, too. That incentive serves only to turn many businesspeople into lobbyists, not entrepreneurs.

Constitutional Issues

Corporate welfare is outside the limited

functions of the federal government. Nowhere in the Constitution is Congress granted the authority to spend funds to subsidize the computer industry, or to enter into joint ventures with automobile companies, or to guarantee loans to favored business owners. Yet, since the New Deal, by applying very expansive readings of the "general welfare" clause, the Supreme Court has allowed Congress to redistribute wealth from taxpayers to favored business interests.[35] Nonetheless, corporate subsidy programs lie outside Congress's strictly limited and enumerated spending authority under the Constitution.

Case Studies

Corporate Welfare for High-Tech Companies

The Advanced Technology Program and the Small Business Innovative Research Program are textbook examples of corporate welfare. They are also great examples of why government is ill suited to drive the technological advances that fuel the high-tech economy.

The ATP was created in 1988 to support technological research that had the potential to provide broad-based economic benefits for the nation. The presumption was that the program, part of the Commerce Department's National Institute of Standards and Technology, would give a boost to technologies that were "pre-competitive" or "high risk" and could not get funding on their own in the private capital markets. Since its inception, the program has funded 468 projects at a cost of about $1.5 billion in federal matching funds.[36] Although its budget has been shrinking for the past five years, the current budget is 40 percent higher than that of FY94, despite repeated efforts to kill the program or return it to pre-Clinton levels.

The assumption was that ATP would be a funder of last resort for businesses, but the General Accounting Office found that 63 percent of the companies that applied for ATP grants never looked for private capital or other sources of investment before they applied for government money.[37] That raises serious questions: Is the research that the government funds really the product of entrepreneurial initiative, or are some businesses simply looking for easy government money?

Another recent GAO study points out that some of the biggest ATP expenditures went to research ventures that were already generously supported by the private sector. For instance, the ATP spent $1.2 million between 1991 and 1993 to develop a system to recognize cursive handwriting for pen-based computer inputs, such as those used in Palm Pilots today. In fact, this line of research had begun in the private sector during the late 1950s, patents for workable versions of the technology were issued five years before the start of the ATP project, and companies like Apple Computers and Motorola were already well on their way to coming to market with versions of this technology.[38] Other technologies that were already well funded and researched by the private sector were methods to expand the capacity of fiber optic cables and technology to regenerate human tissue and organs. The ATP spent roughly $4 million to duplicate funding for those technologies.[39]

In fact, over the past 12 years, many Fortune 500 companies have received millions of dollars of funding to undertake research they could easily fund on their own (Table 4).[40]

In addition to being duplicative, government funding of research often ends up simply underwriting other aspects of corporate operations. That frequently occurs under the Small Business Innovative Research program. While a less high-profile program than ATP, its budget is actually much larger—about $1 billion—because it consists of portions of many federal agencies' research budgets.

Created in 1982, the SBIR program has as its goal to "stimulate technological innovation."[41] However, the result has been a "crowding out" of private research spending by firms receiving government money. In other words, for every dollar of SBIR grant money the average company receives, it reduces its own private R&D by a dollar.[42] That forgone dollar of R&D money does not disappear, of course. It

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Table 4
ATP Awards to Selected Fortune 500 Companies (1991–present)

Company	ATP Grants ($ millions)
Caterpillar	24.6
Xerox	19.6
Dow Chemical	18.3
Motorola	16.3
BP Amoco	13.0
General Motors	9.1
United Technologies	9.1
Ford Motor Company	8.7
General Electric	8.2
Praxair	5.5
Lucent	5.3

Source: Author's calculations based on data from "ATP Funded Projects Database," http://jazz.nist.gov/atpcf/prjbriefs/listmaker.cfm.

The ATP and SBIR programs simply shower politically connected businesses with taxpayer money.

simply goes to fund another aspect of the firm's operations. The consequence is that, instead of contributing to an overall increase in R&D spending, the federal government finds itself underwriting the profit margins of small businesses and corporations through technology research programs like SBIR.

The ATP and SBIR programs simply shower politically connected businesses with taxpayer money. That is hardly an effective way of encouraging technological innovation.

Corporate Welfare for Automakers

One of the newest corporate welfare programs was born on February 22, 1993, when President Bill Clinton launched the Partnership for a New Generation of Vehicles. That program was designed to give money to automakers to enhance the "competitive status of the U.S. automobile industry" and to develop a hybrid car that could achieve fuel efficiency of approximately 80 miles per gallon by 2004.[43]

Only one of those goals has actually been met: the auto industry has indeed received millions of taxpayer dollars. The initiative has given upwards of $1.25 billion during its seven-year existence, much of it to the Big Three automakers—Ford, General Motors, and Daimler Chrysler (Table 5). Those companies together received close to $40 million between FY97 and FY99. The overall federal budget for the PNGV has risen and fallen slightly but has averaged $250 million a year.[44]

The PNGV has not halted the Big Three automakers' slide in market share. Recent trends show no improvement.[45] Decades of previous federal government attempts to protect the domestic auto industry in various ways failed, so it's hardly a surprise that the PNGV has met with similar lack of success.

Even in the contest to develop a commercially viable electric-gasoline car, the Japanese are ahead. The Honda Insight and the Toyota Prius—both of which get over 70 MPG—hit U.S. dealerships toward the end of 2000. The Japanese government provided Toyota and Honda very little funding; the projects were mostly self-financed.[46]

There is less need for government-funded technology research programs than their supporters claim. Research on innovative automotive technologies for cars with greater fuel efficiency had been undertaken by domestic automakers for years before the PNGV program existed.[47] The billions of dollars in federal funding are duplicative.

Table 5
Top Five Recipients of PNGV Money (totals for FY97 through FY99)

Company	Total Funding ($ millions)
Daimler Chrysler Corporation	19.7
AlliedSignal Automotive	12.3
Ford Motor Company	11.1
General Motors Corporation	8.7
EPYX	7.0

Source: General Accounting Office, "Cooperative Research: Results of U.S.-Industry Partnership to Develop a New Generation of Vehicles," GAO/RCED-00-81, March 2000, p. 38.

The government's desire that U.S. companies produce a hybrid vehicle has not been matched by the demands of automobile buyers. Honda and Toyota lose thousands of dollars on each copy of their hybrid cars shipped to the United States.[48] The high cost—the Insight and the Prius start at more than $19,000—leads to lower demand for those cars. Demand for similarly environment-friendly electric cars over the past few years has been very small.[49] Gas prices would have to rise much higher than they have been recently to spur consumers to give up current vehicle performance and options like speed or comfort and demand cars like the PNGV product.[50]

The Clinton administration realized that the demand for such a car would be low even once it was built. That's why the Clinton administration proposed a tax credit for purchasers of the car. The tax credits died in legislative committee.[51] Recently the Bush administration proposed, as part of its national energy policy, a similar tax credit for purchasers of hybrid vehicles.[52] Both administrations realized that the market for such vehicles would be minuscule if there were a government-subsidized supply of them without a corresponding government-subsidized demand.

The current Ford version of the PNGV prototype—the Prodigy—is a diesel-electric car that cannot generate enough power to keep the air conditioning running while the car is idling.[53]

The best policy would be to allow the market to determine the supply of a hybrid car on the basis of actual demand. Getting the government involved has simply subsidized private car companies at the expense of taxpayers.

Corporate Welfare for Exporters

The mission statement of the Export-Import Bank seems innocent on the surface. Ex-Im Bank endeavors to "aid in the financing and promotion of U.S. exports."[54] Yet, when you probe beneath the exterior definition of the program, you'll find one of the most controversial corporate welfare programs in existence today.

Ex-Im Bank uses taxpayer money to subsidize loans to foreign purchasers of U.S. products and provides loans and loan guarantees to U.S. companies seeking to enter export markets. It also provides insurance for investing overseas. The amount of trade activity underwritten by Ex-Im Bank is minuscule—only 1.5 percent of exports—so it's unlikely that it is needed to sustain international demand for U.S. goods.[55] There is also substantial evidence that Ex-Im Bank's activities alter only the composition of economic activity—in other words, the bank merely shifts around existing resources and does not increase the actual amount of economic activity.[56]

Although its mission statement claims that Ex-Im Bank tries to "assume commercial and political risks that exporters or private

The Partnership for a New Generation of Vehicles has given upwards of $1.25 billion during its seven-year existence, much of it to the Big Three automakers.

Table 6
Top 10 U.S. Beneficiaries of Ex-Im Bank Loans and Long-term Guarantees, FY 2000

U.S. Company	Total Loans and Guarantees ($ millions)	Percentage of Total
Boeing Co.	3,384	43.1%
Bechtel International	1,475	18.8%
Varian Associates, Inc.	674	8.6%
United Technologies[a]	334	4.3%
Willbros Engineers	200	2.5%
Halliburton Co.[b]	172	2.2%
Raytheon Engineers and Constructors	150	1.9%
Enron Development Corp.	132	1.7%
General Electric Co.	127	1.6%
Schlumberger Technology Corp.	87	1.1%
Total	6,735	85.9%

Sources: Export-Import Bank, *2000 Annual Report* (Washington: Export-Import Bank, 2000), cited in Ian Vásquez, "Re-Authorize or Retire the Export-Import Bank," Testimony before the Subcommittee on International Monetary Policy and Trade of the House Committee on Financial Services, 107th Cong., 1st sess., May 8, 2001.

[a]Includes loans and guarantees for Sikorsky Aircraft Corp., a wholly owned subsidiary of United Technologies.

[b]Includes loans and guarantees for Brown and Root International, Inc., a wholly owned subsidiary of Haliburton Co.

The loans and guarantees that Ex-Im Bank grants to U.S. companies qualify it as the underwriter of some of the biggest Fortune 500 companies' overseas sales.

institutions are unwilling to take," the opposite is often true: the data show that the countries to which Ex-Im Bank funnels money—countries such as China, Mexico, and Brazil—have little trouble attracting private investment on their own.[57]

The loans and guarantees that Ex-Im Bank grants to U.S. companies qualify it as the underwriter of some of the biggest Fortune 500 companies' overseas sales. As Table 6 shows, Boeing is the largest corporate beneficiary of Ex-Im Bank loan activity.

The beneficiaries of the loans and the supporters of Ex-Im Bank suggest that government credit is needed to level the playing field for U.S. companies to help them compete against foreign competitors who receive support from their governments. Yet Ex-Im Bank's annual report points out that only 18 percent of the money involved in medium- and long-term loan and guarantee transactions was spent to counter government-backed export credit competition in FY99.[58]

There are unseen costs and unintended consequences of giving a few large corporations this kind of help. For example, there is evidence that "subsidized export financing raises financing costs for all borrowers by drawing on financial resources that otherwise would be available for other uses, thereby possibly crowding out some borrowers from the financial markets."[59]

The best way to encourage exports is for the federal government to negotiate free-trade agreements with other countries. Then all U.S. companies would benefit rather than just those that have substantial political clout.

The Corporate Welfare Reform Commission

Eliminating corporate welfare spending will be a very difficult task. Nonetheless, with a new president and White House staff willing to reassess the role of the federal govern-

ment in the economy, the prospects for getting rid of many corporate welfare programs are brighter than before.

Ending corporate welfare will require altering the incentives of legislators. No one senator or representative will vote for a bill that lowers the budget for his or her favored program without a corresponding decrease in someone else's favored program. In other words, no one wants to unilaterally defund a favorite program since the money will just be reallocated elsewhere. Also, member of Congress A knows that voting for a decrease in member B's favored program might result in future reprisals. That is the reason that tackling these programs one by one, or in a small group, during the appropriations process is not likely to yield results (it yielded no results when it was tried during the FY 2000 appropriations cycle). An institutional problem of this sort requires an institutional solution.

One promising solution is to create a corporate welfare reform commission (CWRC).[60] General guidelines for a bill creating a CWRC could be as follows:

- The commission would not be composed of sitting members of Congress. It would be chosen by bipartisan agreement between the president and the leadership of both houses of Congress.
- The commission would convene for the purpose of proposing a list of corporate welfare programs that should be eliminated.
- The commission would address only spending programs, not tax preferences in the budget, and no corporate welfare spending programs should be considered "off the table."
- The commission's list of recommended program terminations would be voted on by both houses of Congress, with no amendments, within 60 days of the commission's final report.

A commission structured along those lines would solve two main problems:

- The Special Interests Dilemma: Because the members of the commission would not be incumbent lawmakers, there would be substantially reduced, if any, incentives for the members to think about reelection prospects or other political factors. Admittedly, there would still be special interest pressure on the commission. Instead of lobbying members of Congress, supporters of corporate welfare programs would lobby the commission. However, the political dynamic would be different enough that lobbying would be likely to be less, if at all, effective.
- The Collective Choice Dilemma: Because every program would be terminated by an up-or-down vote on an unamendable bill, there would be no vote trading on the specifics of the bill as there is during the normal appropriations process. The commission would have the ability to cast a wider net and create a list of programs that would hit a larger number of special interest constituencies than any one member of, or group within, Congress would propose. To avoid other attendant political dynamics, the commission could present to Congress its list of program terminations in a nonelection year.

The CWRC has an ancestor in the Base Realignment and Closure Commission. The BRAC grew out of the understanding that even though the military base structure at the time "made little sense on the whole, Congress could not bring itself to close specific bases."[61] That is because, during the 10 years before BRAC, "Congress prohibited studies of whether bases should be closed, required an environmental impact statement for any proposed closure, and attached riders to appropriations bills to bar the spending of funds to close particular bases."[62] Although many members of Congress wanted to close military bases in the abstract, they were rarely willing to vote for a bill that would close a base in their district. As in the case of corpo-

Ending corporate welfare will require altering the incentives of legislators.

If the $87 billion in corporate welfare were eliminated tomorrow, and personal income taxes were lowered by the same amount for the year, taxpayers would receive a tax cut more than twice as large as the rebate checks mailed out in 2001.

rate welfare programs, Congress soon found itself unable, because of institutional and political biases, to downsize the defense budget at a time when doing so was widely and often cited by members of both parties as an important goal.

Another benefit for taxpayers of having a commission address the issue of corporate welfare is that those often egregious programs could be discussed openly and publicly in a focused proceeding. The exposure of a substantial portion of the federal budget—indeed, an overall reappraisal of what the federal government does—is a long-needed tonic to the current state of affairs.

Conclusion

If the $87 billion in corporate welfare were eliminated tomorrow, and personal income taxes were lowered by the same amount for the year, taxpayers would receive a tax cut more than twice as large as the rebate checks mailed out in 2001. The budget savings over five years would amount to $435 billion, far more than the marginal income tax rate reductions in the recent tax cut, which amount to $298 billion over five years. Cutting corporate welfare would be an excellent show not only of fiscal prudence but also of willingness to begin the much-needed reassessment of the current role of government and to make a hearty attempt at returning the federal government to constitutional limits.

Appendix 1: Descriptions of Corporate Welfare Programs

This appendix provides descriptions of the programs this report categorizes as corporate welfare. These programs should be eliminated, or in some cases privatized, and the savings should be returned to the taxpayer by cutting taxes. Unless otherwise indicated, the information used in the descriptions comes from the *Budget of the United States Government* or from the official publications of the agencies, bureaus, and programs.

Department of Agriculture

Agricultural Credit Insurance Fund. The Agricultural Credit Insurance Fund provides direct loans and loan guarantees for people seeking credit to improve or purchase farms or to offset the cost of operating a farm. There is no reason taxpayers should subsidize this activity, especially when it is duplicated by the private sector.

Agricultural Marketing Service. The Agricultural Marketing Service collects data on agricultural commodity markets and, through its *Market News* reports, makes that information available to agricultural producers, processors, distributors, and others to assist them in the marketing and distribution of farm products. Through its market protection and promotion activities, AMS aids in the promotion of cotton, potatoes, eggs, milk and dairy products, beef, pork, soybeans, honey, watermelon, mushrooms, wool, lamb, and cut flowers.

Agricultural Research Service. 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 all taxpayers.

Commodity Credit Corporation: BioEnergy Program. This program provides "incentive payments" to producers of ethanol, biodiesel, and other bio-based fuels. Most of the money goes to giant agricultural companies such as Archer Daniels Midland. Taxpayer money should not be used to underwrite the profit margin of any company or producer of fuel or any other product.

Commodity Credit Corporation: Export Loans Program. The Commodity Credit Corporation's Export Loans Program promotes the export of U.S. agricultural commodities by providing guaranteed and subsidized loans to the purchasers of those exports. The U.S.

government should not give agricultural commodities (or any good) a preferential advantage in world markets.

Commodity Credit Corporation: Other Programs. All of the activities of the CCC prop up the farm industry by either inflating prices or subsidizing income. In addition, the CCC maintains programs that subsidize big food companies such as Kraft, gives money to farmers to buy new technology, and subsidizes the purchase of livestock. The government should get out of the farming business once and for all.

Commodity Price Supports. Almost half of all federal farm payments are made to the wealthiest 7.5 percent of farmers—many of whom are huge agribusinesses, such as Archer Daniels Midland.[63] According to the Department of Agriculture's own estimates, the net worth of the average farmer today is almost twice as much as the net worth of the average U.S. family.[64] For the rest of America, the net result of these huge subsidies to agribusiness is higher taxes and higher prices at the supermarket thanks to federal subsidies for peanuts, rice, wheat, and other commodities.

Conservation Reserve Program. The Conservation Reserve Program pays farmers not to grow crops on their land. The stated rationale for CRP is to help farmers control soil erosion and to reduce production of surplus commodities. However, if farmers' own planting decisions—often influenced heavily by large subsidies—are causing soil erosion problems that inhibit their ability to profitably produce crops and reduce the value of their land, those farmers should be responsible for taking actions to address the problem. The American taxpayer should not be asked to pay for the federal government's misguided foray into land management.

Cooperative State Research, Education, and Extension Service. The Cooperative State Research, Education, and Extension Service funds programs that are 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, not by taxpayers.

Economic Research Service. 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. 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 Department of Agriculture provides those exporters with cash bonuses to compensate them for the difference between the selling price and their costs.

Farm Service Agency. This agency is responsible for administering the programs of the Commodity Credit Corporation. The federal government should not have such a heavy-handed role in the agriculture market. This agency should be eliminated.

Federal Crop Insurance Corporation. The Federal Crop Insurance Corporation provides subsidies to crop insurers and ends up helping mostly the insurance companies that accept the subsidies. The FCIC subsidizes up to 25 percent of the cost of servicing crop insurance policies, and farmers are covered by insurance without having to pay the entire premium. Also, the insurance companies bear only part of the risk: the American taxpayer bears the rest of the risk.[65] The federal government should not be involved in the insurance market.

Foreign Assistance Programs: Public Law 480. P.L. 480 promotes the export of U.S. agricultural commodities by providing subsidized loans to purchasers of those goods in developing countries. The program also subsidizes U.S. freight carriers that carry those com-

The government should get out of the farming business once and for all.

Free trade should be encouraged by means of free-trade agreements, not by subsidizing certain industries and penalizing foreign imports.

modities overseas. There is no legitimate need for the government to manage foreign demand for products.

Forest Service: State and Private Forestry. This program provides pesticide-spraying services to large private landowners and planning assistance to state agencies and private forestry companies. The states and the private landowners themselves, not federal taxpayers, should pay for those services.

National Agricultural Statistics Service. This agency collects and publishes data on agricultural yields and livestock used in the computations of farm program payments. The data are also of direct benefit to the farming industry. The NASS states that its goal is to publish data that help to "ensure an orderly flow of goods and services among agriculture's producing, processing, and marketing sectors." The agency admits that its publications, which provide "evaluations of alternative courses of action for producers [and] agribusinesses," allow "farmers and ranchers [to] rely on NASS reports in making all sorts of production and marketing decisions."[66] Farmers should be expected to pay for such a service on their own, and private firms would be willing to provide it if there were demand.

Market Access Program. The Department of Agriculture's Market Access Program provides the trade associations of private agricultural product firms with taxpayer dollars to help offset their foreign advertising costs. Forty percent of this spending goes to promote brand-name products overseas.[67]

Rural Community Advancement Program. This program provides grants and subsidized loans for water, waste disposal, and solid waste management activities. These subsidies benefit businesses that help provide and receive such services. The program also gives out roughly $50 million of taxpayer money in the form of rural business enterprise grants.

Rural Business-Cooperative Service. The Rural Business-Cooperative Service was established in 1994 to administer programs of the former Rural Development Administration and the Rural Electrification Administration. RBCS provides grants and subsidized loans to encourage economic development in rural areas. Through the Alternative Agricultural Research and Commercialization fund, RBCS enters into cooperative agreements to facilitate the development and commercialization of new nonfood industrial and commercial products derived from agricultural and forestry materials. This program, a hodgepodge of corporate welfare spending, even includes obscure line items such as the National Sheep Industry Improvement Center.

Rural Utilities Service. The Rural Utilities Service was established in 1994 to administer programs of the former Rural Electrification Administration and the Rural Development Administration. RUS provides subsidized loans to electric and telephone utility providers in rural areas. Telecommunications companies are able to raise plenty of support in the private capital markets. Taxpayers should not have to subsidize them.

Department of Commerce

Advanced Technology Program. See "Case Studies" above.

Economic Development Administration. 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, which doles out grants to assist private firms and industries that are deemed to have been adversely affected by increased imports.

International Trade Administration. The International Trade Administration's role is to "develop the export potential of U.S. firms" by conducting export promotion programs, working with firms to develop market strategies for overseas markets, and protect-

ing uncompetitive industries by enforcing "antidumping" regulations. Free trade should be encouraged, but it should be done by means of free-trade agreements, not subsidizing certain industries and penalizing foreign imports.

Manufacturing Extension Partnership. This program 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 this case.

Minority Business Development Agency. 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. The MBDA's activities often focus on helping minority-owned businesses chase government grants and contracts. To encourage the development of minority-owned businesses, the federal government should stop showering them with taxpayer money and 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: Non-Weather-Related Activities. The non-weather-related portion of the National Oceanic and Atmospheric Administration budget funds activities such as the analysis of fishery industry information, fishery trade and export promotion, and industry assistance programs through the National Marine Fisheries Service, all of which provide benefits to the fishing industry. The American Fisheries Promotion Act gives grants directly to fisheries to increase their productivity. Other non-weather-related activities include the mapping and charting services, which are used by private industry, of the National Environmental Satellite, Data, and Information Service. Those services could be provided by the private sector.

Office of Technology Policy. This office directs many of the corporate welfare programs in the Department of Commerce. It would not be necessary if the federal government were not involved in giving money and benefits to private industry.

Department of Defense

Army Corps of Engineers. The Army Corps of Engineers builds, operates, and maintains the nation's inland waterways system, including dams and other structures. Those activities subsidize the private barge companies and bulk commodity shippers who make frequent use of the 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. Its operations could be privatized so an efficient toll-based system or private pricing system could be used to fund those activities.

Cargo Preference Program. The Cargo Preference Act of 1904 requires all goods procured by the military to be transported by U.S. merchant marine vessels. This monopoly protects the merchant marine from competition with foreign shipping companies that can typically transport goods more cheaply. It also protects the merchant marine from competition with other more efficient forms of transportation, such as airplanes.

Defense Advanced Research Projects Agency. This agency gives money to companies and industry consortiums to undertake cost-shared research projects to develop technology that would have a "dual-purpose" application: technology that can be used by the U.S. military and also has a commercial purpose. One of the stated goals of the program is the "commercialization" of the technology developed with taxpayer money.[68] The participating companies retain title and license rights to the inventions so they can sell the products in the private marketplace.[69] The Department of Defense should buy technologies in the open market when they are developed, not subsidize the development of technology that has clear money-making potential for private firms outside the military demand for them.

General taxpayer funds should not be used to provide assistance to one specific industry.

Defense Export Loan Guarantees. This program makes U.S.-guaranteed loans to more than three dozen nations to finance arms sales. Recipient governments pay "exposure fees" to finance the program's operations, but the fees are not large enough to cover the overall costs of the program, and the taxpayer foots the bill for the difference.[70]

Foreign Military Financing Program. Estimated to be the largest single subsidy program for U.S. weapons exporters, the Foreign Military Financing Program supports grants and loans to subsidize the sale of U.S. military equipment and services to more than two dozen countries, with the bulk of the money going to Egypt and Israel. As a result of this program and the Foreign Military Sales program, more than half of U.S. arms sales are financed by U.S. taxpayers, not by the foreign arms clients and weapons makers.[71] The private lending markets could handle those loans, just as they do loans for other products.

Foreign Military Sales Program. This program facilitates government-to-government sales of arms; the Pentagon acts as a broker, negotiating the terms of the deal, collecting funds, and disbursing them to the arms contractors. In most other private commercial sales, the product supplier sells to the buyer without the U.S. government as a broker. In addition, the "recoupment fees" assessed to the foreign governments to underwrite this activity are usually not enough to cover costs and are routinely waived altogether, thereby forcing the taxpayer to pick up the tab.[72] The federal government should not directly serve as a broker for any commercial transaction.

More than half of U.S. arms sales are financed by U.S. taxpayers, not by the foreign arms clients and weapons makers.

Department of Energy

Clean Coal Technology Program. The Clean Coal Technology Program funds joint public-private demonstration projects designed to assist private industry in developing new commercial technologies that burn coal in a more environmentally friendly way. This program gives taxpayer money to coal companies that were already undertaking the research on their own.[73]

Energy Conservation Programs. The Energy Conservation program account funds applied R&D projects intended to discover new energy efficient technologies that will enhance the profitability of U.S. businesses. Many of those projects involve direct partnerships with private industry. Energy conservation programs include the Industries of the Future program, selected technology assistance programs, and transportation technology programs such as alternative-fueled vehicles.

Energy Information Administration. The Energy Information Administration collects and disseminates data on current energy sources, alternative energy sources, end uses, prices, supply and demand, and environmental matters. In a free market for energy, Congress and the executive branch would have little use for such information. Further, to the extent the information provided by the EIA is deemed valuable by private industry, private firms should bear the cost of attaining it. They should not be allowed to shift that cost to the taxpayer. In fact, much of the information provided by the EIA is already being provided by the private sector and by nonprofit industry associations.

Energy Supply Research and Development. The Energy Supply Research and 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 R&D and demonstration ventures in partnership with private-sector firms. Research areas include solar and renewable energy, nuclear energy, and fusion energy. Such activities should be paid for entirely by private industry.

Fossil Energy Research and Development. The Fossil Energy Research and Development program is designed to expand the technology base for private industry engaged in 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. Research areas include clean fuels; clean, effi-

cient power systems; oil technology; natural gas; and fuel cells.

General Science and Research Activities. The General Science and Research activities account underwrites research in high-energy physics and nuclear physics. Many projects that do have potential commercial spinoffs—such as high-speed computing, superconducting magnet technology, and high-power radio frequency devices—can and should be financed through the venture capital markets.

Power Marketing Administrations. The federal government generates electric power at more than 120 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. These power generators should be privatized and prices for the energy produced determined by market forces.

Department of Housing and Urban Development

Community Development Block Grants. This multi-billion-dollar program, which grows every year, consists of thousands of pork-laden earmarks to congressional districts. Many of the grants go directly to benefit business. In recent years, CDBG money was spent to revitalize a shopping mall in California and to build parking lots in New York.[74]

Federal Housing Administration Subsidies. The Federal Housing Administration subsidizes the mortgage banking industry by providing low-rate mortgage insurance to low- and moderate-income homebuyers. Not surprisingly, the FHA's staunchest defender is the Mortgage Bankers Association. The subsidies to the mortgage banking industry are particularly unwarranted, given that there is a healthy and expanding private mortgage insurance industry that can and would carry the load in the FHA's absence. Moreover, because there is no income limit for FHA insurance eligibility—just a cap on the size of the mortgage—many households that would not be considered moderate income are able to obtain FHA-insured loans.

Department of the Interior

Bureau of Reclamation. 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. One of the most controversial BOR projects is the Animas-La Plata project, which siphons the flow of the Animas River uphill to irrigate low-value crops.[75] This project delivers taxpayer-financed irrigation to a specific region and group of corporate farms, an indirect subsidy that is estimated at over $1 million per farm.

U.S. Geological Survey. The U.S. Geological Survey provides the public research and scientific information about water, land, and mineral resources. The information on the location of energy and mineral resources is valuable to mining and oil companies. This agency could be privatized and the research funded by the beneficiaries of the information.

Department of Transportation

Federal Aviation Administration Operations and Air Traffic Control. Most of the cost of running the air traffic control system is paid by taxpayers. The fees charged to register aircraft are far lower than are needed to finance the operation of a large and inefficient national air traffic control service. The passenger ticket taxes and the federal fuel taxes are inefficient ways of financing this system. The market would be best able determine how to assess price and cover costs of the benefits received. The air traffic control system should be privatized.[76]

Commercial Space Transportation. This program was created to encourage private space launches and expendable launch vehicles with taxpayer money. While it is important that the private sector be allowed to develop commercially viable means of traveling in space, it is not the government's role to pick winners in that market by giving government money to favored aerospace companies. The

Many projects that do have potential commercial spinoffs can and should be financed through the venture capital markets.

The Intelligent Vehicle Initiative gives money to private corporations to develop better braking and cruise control systems. Those companies should develop profit-making product innovations with their own funds.

venture capital markets are capable of handling that type of development funding.

Essential Air Service. This program 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. This program provides direct subsidies to airlines—primarily commuter carriers—that serve those areas. EAS was intended to be a transitional program and was initially authorized for 10 years, yet it has managed to survive the budget ax year after year. The air travel market is far more advanced than it was in 1978, and the airlines provide service in virtually all markets. The federal government should not use taxpayer money to subsidize airports or airlines.

Grants-in-Aid for Airports. The Grants-in-Aid for Airports program provides direct grants to the nation's airports to fund airport planning and development activities. Those activities include capacity expansion, terminal improvements, and noise mitigation. The cost of maintaining and improving airports should be borne not by the general taxpayer but by the direct (commercial airlines) and indirect (commercial airline passengers) beneficiaries of those activities.

Federal Highway Administration: Demonstration Projects. The Federal Highway Administration's demonstration projects are pork-barrel politics at its worst. Each year Congress funds hundreds of pork-barrel "demonstration" projects in the districts of powerful members. Much of the largesse of those unnecessary projects goes to benefit highway contractors, construction companies, and other private companies.

Federal Highway Administration: Intelligent Transportation System. This public-private partnership endeavors to research, develop, and test advanced electronic and information systems to improve the safety and efficiency of driving. The main effort in this program, the Intelligent Vehicle Initiative, gives money to private corporations such as Volvo and Mack Trucks, Inc., among other trucking and automotive companies, to develop better braking and cruise control systems. Those companies should develop profit-making product innovations with their own funds.

Maritime Administration: Guaranteed Loan Program. The Maritime Administration's Guaranteed Loan Program provides guaranteed loans for purchasers of ships from the U.S. shipbuilding industry and for modernizing U.S. shipyards. U.S. shipbuilders should not have the special benefit of a guaranteed capital market.

Maritime Security Program. This program provides direct payments to U.S.-flag ship operators engaged in U.S.-foreign trade under the condition that a certain percentage of their fleets remain in service and that the Defense Department can require them in wartime to provide sealift support. These payments have the effect of propping up failing shipping companies by subsidizing a larger fleet than would be necessary to compete. The government could still contract with companies for shipping needs on a case-by-case basis without paying unprofitable ships to run in the meantime.

Maritime Administration: Operating-Differential Subsidies. 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 portion of their operating costs that exceeds 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 forced to pick up the tab for the industry's inefficiency.

Maritime Administration: Operations and Training. The federal government gives unfair protection to the U.S. merchant marine by shielding it from competition with foreign shipping companies. The government also gives money to develop and revitalize ports, which should be paid for by the users of those ports.

Railroad Administration: Amtrak Subsidies. The National Railroad Passenger Corporation, known as Amtrak, was created in 1970. Its goals

were clearly a form of corporate welfare: to use taxpayer money to provide long-distance train service in exchange for allowing private companies to discontinue those money-losing routes. Amtrak was meant to exist for only a brief period of time, just long enough for those routes to achieve profitability and Amtrak to become self-supporting. That has not occurred, and during the 30-year existence of the program taxpayers have forked over more than $15 billion in subsidies.[77] Amtrak continues to lose money, and Congress continues to bail it out. Amtrak should be privatized and all subsidies eliminated.

Railroad Administration: Next-Generation High Speed Rail. This program gives money to corporations to develop upgraded steel-wheel-on-rail railroads and magnetically levitated vehicles for use on Amtrak routes.

Railroad Administration: Northeast Corridor Improvement Program. Amtrak's Northeast Corridor route between Washington, D.C., and New York City is the only profitable route that the corporation runs. However, Congress continually approves capital improvement grants for it. Amtrak should be privatized and pay for its own capital improvement.

Railroad Administration: Railroad Research and Development. This program uses taxpayer money to finance research on improved rail technology. These technological advances are often accomplished through public-private partnerships geared toward product improvement. This program assists the DOT's "technology transfer" to private companies for the purpose of advancing improved manufacturing processes and the development of major new products for the international marketplace. The government should quit subsidizing the railroad industry. Research that leads to profitable technological advances should be paid for by the companies themselves.

Independent Agencies and Others

Agency for International Development. The Agency for International Development is the main U.S. foreign aid agency. It seeks to help developing countries by establishing investment funds with taxpayer money. The results have been dismal, and the funding simply amounts to large subsidies to exporting businesses. Even the AID itself admits: "The principal beneficiary of America's foreign assistance programs has always been the United States. Close to 80 percent of the U.S. Agency for International Development's contracts and grants go directly to American firms."[78]

Appalachian Regional Commission. The Appalachian Regional Commission was established in the 1960s to help reduce poverty and geographic isolation in the 13 states of the mostly rural Appalachian region by promoting private investment and "economic development" efforts, which amounts to giving money to small business. Much of ARC's budget goes to construction companies building roads and highways, and much of it duplicates local funding.

Corporation for Public Broadcasting. The CPB gives grants to state and local public television and radio stations. The programs that appear on those stations (such as *Sesame Street* and *Teletubbies*) generate millions of dollars in merchandise sales revenue a year for production firms and toy companies as a result of the federally supported broadcast of shows. In addition, the broadcast stations that receive this money have been able to fund much of their operation by subscriptions and donations. Indeed, about 40 percent of their operating budgets already comes from corporations and subscribers.[79] These money-making television shows should not be financed even in part by taxpayers.

Export-Import Bank. See "Case Studies" above.

In-Q-Tel (Central Intelligence Agency). Created in 1998, this unclassified program of the CIA gives roughly $30 million a year to commercial technology firms to develop new software, digital database systems, computer hardware, and Internet technology. The In-Q-Tel director calls the investment fund a "venture catalyst" and boasts that it offers high-tech startups what nobody else can, the opportunity to test their technologies inside the CIA.[80] The government should not be in the business of using taxpayer money to pick winners in a dynamic technology marketplace or give them special treatment.

The government should quit subsidizing the railroad industry. Research that leads to profitable technological advances should be paid for by the companies themselves.

The SBA has a terrible record of selecting businesses to support; as many as 15 percent of its loans become delinquent in any given year.

Technology funding is already very plentiful in the private capital markets.

International Trade Commission. This agency of the federal government assists in the administration of antidumping tariffs and trade barriers and provides policymakers assistance in trade policy formulation. Tariffs protect weak domestic industries at the expense of consumers. The government should not be in the business of using trade barriers to prop up certain favored industries that cannot compete in the international marketplace.

National Aeronautics and Space Adminisration: Aeronautical Technology and Commercialization Activities. This account funds R&D activities (often in direct partnership with private industry) that benefit the commercial airline industry. Current projects include developing new propulsion systems, robotics, and a solar-powered airplane. Such applied R&D benefits primarily specific private companies, such as Boeing, Lockheed Martin, and Airbus. The government has trouble picking winners in other industries and will likely have a difficult time doing so in the aerospace industry as well.

National Institutes of Health: Applied Biomedical Research and Clinical Development. Basic medical research is only part of what the National Institutes of Health funds. About a third of the NIH budget supports applied biomedical research as well as preclinical and clinical development of specific pharmaceuticals.[81] Those activities are of direct benefit to the pharmaceutical industry and should not be financed by taxpayers.

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

Partnership for a New Generation of Vehicles. See "Case Studies" above.

Small Business Administration. 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 0.5 percent of all small businesses. The SBA has a terrible record of selecting businesses to support; as many as 15 percent of its loans become delinquent in any given year.

Small Business Innovative Research. See "Case Studies" above.

Trade and Development Agency. 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 projects thereby subsidize new business opportunities for large U.S. corporations, such as Bechtel, Caterpillar, and General Electric.

Appendix 2: Tax Preferences and Other Types of Indirect Subsidies

Tax Preferences

Some opponents of corporate welfare include tax preferences in their definition of corporate welfare. For example, Ralph Nader, a longtime opponent of corporate welfare, states that tax deductions and credits that go to a particular company or industry should be considered a subsidy. "When the government does not collect certain taxes . . . it is spending money. And when the government fails to collect taxes from corporations due to various legal preferences, it is subsidizing those companies as surely as if it were making direct payments to them."[82] Nader

assumes that tax money belongs to the government in the first place and that the government has an inherent right to it—in other words, cutting taxes deprives the government of money it would otherwise receive and, by so doing, constitute a "cost" to the government as opposed to a "gain" for the taxpayer. This paper does not include tax preferences in its estimate of corporate welfare spending.

The thinking outlined above assumes that tax preferences are a form of "tax expenditure." That term has been in wide use since the passage of the Congressional Budget Act of 1974, which requires that every year the federal government compile a list of "provisions of the Federal tax laws with exclusions, exemptions, deductions, credits, deferrals, or special tax rates."[83] There is some indication that a reappraisal of that approach may be forthcoming. The Bush administration budget submission for FY02 states, "The Administration believes that the concept of 'tax expenditures' is of questionable analytic value."[84]

Any company may avail itself of certain tax preferences, such as the tax deduction for donations to charities, so not every tax expenditure is subject to criticism solely from a corporate welfare standpoint. It is the tax preferences that go to particular companies or particular industries that are especially bad economic policy. A case in point is the total $940 million tax credit that goes to producers of ethanol and alternative fuels.[85] Many of those tax credits go to only a few companies. One company, Archer Daniels Midland, the $13 billion agribusiness based in Decatur, Illinois, produces 40 percent of the ethanol used in the United States and receives a large tax credit.[86]

Targeted tax preferences complicate the tax code and create market distortions. Tax preferences should be abolished on those grounds, not on Nader's inclusion of them as corporate welfare. As a result, they should be terminated in the context of fundamental tax reform that strives to lower taxes and simplify the tax code. One way of doing that would be to replace the current tax system with a consumption-based tax, such as the flat tax or a national retail sales tax, that doesn't make distinctions between politically favored taxpayers and others.

These various so-called loopholes should be closed in the interest of lowering taxes for all. If tax preferences were abolished but a corresponding decrease in the tax rate was not enacted, that would lead to a tax increase for some. The last thing Congress should be doing is increasing the amount of revenue flowing into government coffers when tax surpluses are expected to grow substantially over the next 10 years.

Trade Barriers

Another type of preference that the federal government provides to certain businesses and industries is the imposition of tariffs and barriers to trade with foreign countries. There are currently thousands of tariffs levied on thousands of goods, ranging from fruit juice and leather products to pressed glass and costume jewelry.[87] Other barriers to trade include import quotas on certain farm commodities. All of those barriers have the effect of protecting domestic industries from foreign competition in goods and services. They also have the effect of restricting the free flow of goods in the economy, leading to decreased supply, forgone economic production, and higher prices for consumers. The cost to the U.S. economy of the most significant trade barriers was recently estimated at $12.4 billion.[88]

The tax preferences that go to particular companies or particular industries are especially bad economic policy.

Trade barriers have the effect of sheltering a company or an industry from competition, or favoring one industry over another. Indeed, many of those barriers are designed specifically to keep prices high. Consider the sugar program, for example. The U.S. government maintains a tariff rate quota that restricts the amount of foreign competition that domestic sugar growers encounter. In 1970, 47 percent of the sugar used in the United States was imported.[89] In 1998 only 16 percent of the sugar consumed in the United States was imported.[90]

The cost to consumers in the form of higher prices is substantial. The price of raw cane sugar is twice as high in the United States as it

It is obvious that implicit federal subsidies distort the lending market and crowd out private investment.

is in the rest of the world: that costs U.S. sugar users a total of about $2 billion a year.[91]

Those costs are not included in this report's estimate of the taxpayer cost of corporate welfare. This does not mean that trade protections are not forms of corporate welfare. In fact, they are some of the most egregious forms of corporate welfare. They are also stealthy because they do not translate into a cost easily quantified or associated with a line item in the federal budget. In contrast, the programs listed in this study have an actual direct taxpayer cost as measured by the federal budget. Note, however, that some of the programs listed in this report, such as the International Trade Commission, administer trade barriers and do result in a direct taxpayer cost.

Government-Sponsored Enterprises

During the 20th century the federal government chartered corporations for certain public policy purposes. The main government-sponsored enterprises (GSEs) are the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Federal Home Loan Banks (sometimes called "Flubbies"), and the Farm Credit System (which consists of the Agricultural Credit Bank, the Federal Agricultural Mortgage Corporation, and the Farm Credit Banks). Those institutions were supposed to create markets for cut-rate loans to poor families and farmers, which, it was argued, would not exist in the absence of government action.

The GSE loan portfolios represent a very large share of the lending market in their respective fields. In fact, Fannie Mae and Freddie Mac, two of the biggest GSEs, combined account for more than 50 percent of the overall conventional mortgage market and 40 percent of the total residential mortgage market.[92] Yet only 13 percent of the Fannie and Freddie mortgage holders are low-income families.[93]

Technically, GSEs are publicly traded corporations—they have shareholders and boards of directors. However, those companies receive many benefits that actually make them more like government-protected bureaucracies. Fannie Mae and Freddie Mac, for instance, are exempt from most of the regulations that bind truly private mortgage lenders.[94] In addition, they have a contingency line of credit in the amount of $2.25 billion that can be drawn from the federal Treasury. There is also an implicit understanding that the federal government will bail out the GSEs if they ever collapse under the weight of their rapidly expanding debt. All of those benefits have created unfair competition with private lenders. Dan L. Crippen, director of the Congressional Budget Office, has estimated these implicit subsidies at $13.6 billion.[95]

These benefits clearly accrue to the GSE shareholders and certain dependent industries—such as segments of the construction industry—at the expense of others. There is no direct line item in the budget that corresponds to that estimated cost, so it is not included in this report's total corporate welfare cost estimate. However, it is obvious that the implicit federal subsidies to those companies distort the lending market and crowd out private investment. The government should get out of the mortgage lending business.

Notes

1. See Stephen Moore, "Corporate Subsidies in the Federal Budget," Testimony before the House Committee on the Budget, 106th Cong., 1st sess., June 30, 1999, http://www.cato.org/testimony/ct-sm063099.html.

2. See *Restoring the Dream: The Bold New Plan by House Republicans,* ed. Stephen Moore (New York: Times Books, 1995): 124–26.

3. See Stephen Moore and Stephen Slivinski, "Return of the Living Dead: Federal Programs That Survived the Republican Revolution," Cato Institute Policy Analysis no. 375, July 24, 2000.

4. Quoted in Richard Wolffe, "Bush Set for Battle over Spending and Tax Cuts," *Financial Times,* March 1, 2001, p. 1.

5. Quoted in Edward Alden and Nancy Dunne, "Business Uneasy with New Administration's

Revenue Plans," *Financial Times,* March 6, 2001, p. 4.

6. See Dean Stansel and Stephen Moore, "Federal Aid to Dependent Corporations," Cato Institute Briefing Paper no. 28, May 1, 1997. As well as increases in existing corporate welfare programs, the current estimate includes newer programs that have since become part of the federal budget and programs that have since developed into programs that can be classified as corporate welfare. It does not include some programs that have been eliminated or do not fit the definition of corporate welfare used in this study.

7. See Congressional Budget Office, "Federal Financial Support of Business," July 1995.

8. See Green Scissors Campaign, *Green Scissors 2001,* February 22, 2001, http://www.greenscissors. org.

9. For a detailed critique of the Green Scissors report, see Jerry Taylor and Stephen Slivinski, "Cato Fires Back on Corporate Welfare," *Cato Policy Report* 23, no. 2 (March–April 2001): 14–15.

10. All numbers in this section refer to budget authority, not outlays.

11. U.S. Department of Agriculture, Economic Research Service, "Farm Income and Costs: Farm Income Forecasts," http://www.ers.usda.gov/ Briefing/FarmIncome/GP_T7.htm.

12. Author's calculation based on *Budget of the United States Government, Fiscal Year 2002—Historical Tables* (Washington: Government Printing Office, 2001), Table 3-2, pp. 56–57.

13. For details on the Bush administration's cuts in the Small Business Administration, see White House, *A Blueprint for New Beginnings: A Responsible Budget for America's Priorities* (Washington: Government Printing Office, February 2001), pp. 163–64.

14. This estimate does not include new defense spending.

15. All numbers in this section refer to budget authority, not outlays.

16. See H.R. 107-139, July 13, 2001, http:/ thomas. loc.gov/home/approp/appover.html.

17. See S.R. 107-42, July 20, 2001, http://thomas. loc.gov/home/approp/appover.html.

18. See H.R. 107-142, July 17, 2001, http://thomas. loc.gov/home/approp/appover.html.

19. See H.R. 107-139, July 13, 2001, http:/ thomas. loc.gov/home/approp/appover.html.

20. See S.R. 107-42, July 20, 2001, http://thomas. loc.gov/home/approp/appover.html.

21. See H.R. 107-112, June 26, 2001, and S.R. 107-39, July 13, 2001, http://thomas.loc.gov/home/ approp/appover.html.

22. See H.R 2646, http://agriculture.house.gov/ farmbill.htm.

23. See Brink Lindsey, "A New Track for U.S. Trade Policy," Cato Institute Trade Policy Analysis no. 4, September 11, 1998.

24. See Brink Lindsey and Aaron Lukas, "Revisiting the 'Revisionists': The Rise and Fall of the Japanese Economic Model," Cato Institute Trade Policy Analysis no. 3, July 31, 1998.

25. For a discussion of the theoretical implications, see F. A. Hayek, "The Use of Knowledge in Society," in *The Libertarian Reader,* ed. David Boaz (New York: Free Press, 1997), pp. 215–24.

26. T. J. Rodgers, "Silicon Valley versus Corporate Welfare," Cato Institute Briefing Paper no. 37, April 27, 1998, p. 15.

27. See House Committee on the Budget, Majority Caucus, "The Corporate Welfare Reform Commission Act: Unjustified Business Subsidies and Legislation Aimed at Addressing Them" (draft), Briefing material for the hearing before the Committee on the Budget, June 8, 2000, p. 20.

28. See "Insured Commercial Banks—Delinquency Rates on Loans: 1990 to 1999," Bureau of the Census, *Statistical Abstract of the United States: 2000* (Washington: Government Printing Office, 1999),Table 803, p. 513.

29. General Accounting Office, "Farm Service Agency: Status of the Farm Loan Portfolio and the Use of Three Contracting Provisions for Loan Servicing," GAO/RECD-98-141, May 5, 1998, p. 1.

30. U.S. Department of Agriculture, Economic Research Service, "Agriculture Income and Finance—Summary," ERS-AIS-74, March 7, 2000, p. 1.

31. *Statistical Abstract of the United States,* 2000, Table 803, p. 513.

32. General Accounting Office, "Farm Service Agency," p. 2.

33. Quoted in House Committee on the Budget, p. 5.

34. A brief treatment of this theory is found in Mancur Olson, *The Rise and Decline of Nations* (New Haven, Conn.: Yale University Press, 1982), chap. 2.

35. For a discussion of the constitutional limita-

tions 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.

36. General Accounting Office, "Advanced Technology Program: Inherent Factors in Selection Process Could Limit Identification of Similar Research," GAO/RECD-00-114, April 2000, p. 3.

37. General Accounting Office, "Measuring Performance: The Advanced Technology Program and Private-Sector Funding," GAO/RECD-96-47, January 1996, p. 3.

38. General Accounting Office, "Advanced Technology Program: Inherent Factors in Selection Process Could Limit Identification of Similar Research," pp. 4, 7–9.

39. Author's calculations based on data from ibid.

40. Many companies receive more than is listed in the table since many companies are also members of multiple consortiums and joint ventures that receive federal money to divvy up among participants. The numbers used in this study are a representative sample of the total money received.

41. Quoted in Scott J. Wallsten, "The R&D Boondoggle," *Regulation* 23, no. 4 (2000): 13.

42. This result is arrived at by regression analysis outlined in ibid., pp. 14–15.

43. See "A Declaration of Intent: Partnership for a New Generation of Vehicles," http://www.ta.doc.gov/pngv/news/pngv.htm.

44. Author's calculations based on data from General Accounting Office, "Cooperative Research: Results of U.S.-Industry Partnership to Develop a New Generation of Vehicles," GAO/RECD-00-81, March 2000; and *Budget of the United States Government, Fiscal Year 2001—Appendix* (Washington: Government Printing Office, 2001), p. 410.

45. See Sholnn Freeman, "Auto Sales Rise Despite Big Three as Foreign Brands Gain Ground," *Wall Street Journal*, July 5, 2001, p. A3.

46. Keith Bradsher, "Detroit Plays Catch-up in Race for Hybrid Car; With Fewer Subsidies, Japan is Ahead," *New York Times*, January 1, 2000, p. C1.

47. General Accounting Office, "Cooperative Research: Results of U.S.-Industry Partnership to Develop a New Generation of Vehicles."

48. Bradsher.

49. General Accounting Office, "Energy Policy Act of 1992: Limited Progress in Acquiring Alternative Fuel Vehicles and Reaching Fuel Goals," (Washington: GAO, February 2000), p. 16.

50. Ibid., pp. 12–13.

51. Bradsher.

52. National Energy Policy Development Group, *National Energy Policy* (Washington: Government Printing Office, May 2001), pp. 4–10.

53. Bradsher.

54. See *Budget of the United States Government, Fiscal Year 2002—Appendix* (Washington: Government Printing Office, 2002), p. 1149.

55. Ian Vásquez, "Re-Authorize or Retire the Export Import Bank," Testimony before the Subcommittee on International Monetary Policy and Trade of the House Committee on Financial Services, 107th Cong., 1st sess., May 8, 2001, http://www.cato.org/testimony/ct-iv050801.html.

56. See James K. Jackson, "Export-Import Bank: Background and Legislative Issues," Congressional Research Service Report for Congress, 98-568E, January 19, 2001, p. 5.

57. See Vásquez.

58. Export-Import Bank, *1999 Annual Performance Report* (Washington: Export-Import Bank, 2001), chap. 1, p. 2, http://www.exim.gov/annperf2.pdf.

59. Jackson, p. 6.

60. A different version of this commission has been introduced in the past. A high-profile coalition in 1997 brought together in the Senate cosponsors as diverse as John McCain (R-Ariz.), Ted Kennedy (D-Mass.), Fred Thompson (R-Tenn.), John Kerry (D-Mass.), Russ Feingold (D-Wis.), Joe Lieberman (D-Conn.), and Sam Brownback (R-Kans.); and in the House, John Kasich (R-Ohio), Ed Royce (R-Calif.), Rob Andrews (D-N.J.), Dan Miller (R-Fla.),and Steve Chabot (R-Ohio). More recently, in 1999, Rep. Joe Hoeffel (D-Pa.) introduced a bill that outlined a version of such a commission.

61. Kenneth R. Mayer, "The Limits of Delegation: The Rise and Fall of BRAC," *Regulation* 22, no. 3 (1999): 34.

62. Ibid., p. 32.

63. General Accounting Office, "Farm Programs: Information on Recipients of Federal Payments," June 2001, p. 40.

64. U.S. Department of Agriculture, Economic Research Service, "Using Farm-Sector Income as a Policy Benchmark," *Agricultural Outlook*, June–July

2001, p. 15.

65. See Jerry R. Skees, "The Bad Harvest," *Regulation* (Spring 2001): 16–21.

66. See National Agricultural Statistics Service Web site, http://www.usda.gov/nass/nassinfo/importnt.htm.

67. Congressional Budget Office, *Budget Options* (Washington: CBO, February 2001), p. 238.

68. See General Accounting Office, "DOD Research: Acquiring Research by Nontraditional Means," GAO/NSIAD-96-11, March 1996, p. 7.

69. Ibid.

70. For a detailed analysis of the DELG program, as well as the Foreign Military Financing and Foreign Military Sales programs, see William D. Hartung, "Corporate Welfare for Weapons Makers: The Hidden Costs of Spending on Defense and Foreign Aid," Cato Institute Policy Analysis no. 350, August 12, 1999.

71. Ibid., p. 5.

72. Ibid., pp. 9–12.

73. See Green Scissors Campaign, http://www.greenscissors.org/energy/cleancoal.htm.

74. See Moore and Slivinski, p. 14.

75. For a detailed discussion of this project, see the Green Scissors Campaign Web site, www.greenscissors.org.

76. See Robert W. Poole and Viggo Butler, "How to Commercialize Air Traffic Control," Reason Public Policy Study no. 278, February 2001, http://www.rppi.org/ps278.pdf.

77. See Jean Love, Wendell Cox, and Stephen Moore, "Amtrak at Twenty Five: End of the Line for Taxpayer Subsidies," Cato Institute Policy Analysis no. 266, December 19, 1996; and "Transportation," in *Cato Handbook for Congress,* 107th Congress (Washington: Cato Institute, 2001), pp. 423–25.

78. See U.S. Agency for International Development, "Direct Economic Benefits of U.S. Assistance by State," visited August 28, 2001, www.usaid.gov/procurement_bus_opp/states.

79. Heritage Foundation, *A Budget for America* (Washington: Heritage Foundation, 2001), p. 371.

80. Vernon Loeb, "CIA Adventures in Venture Capital; Hill Reviewing Agency's Multimillion Dollar In-Q-Tel Offshoot for Value," *Washington Post,* June 3, 2001, p. A5.

81. See Congressional Budget Office, "Federal Financial Support of Business," July 1995, p. 24.

82. Ralph Nader, Testimony before the House Committee on the Budget, 106th Cong., 1st sess., June 30, 1999, http://www.nader.org/releases/63099.html.

83. See "Tax Expenditures," in *Budget of the United States Government, Fiscal Year 2002—Analytical Perspectives* (Washington: Government Printing Office, 2001), p. 61.

84. Ibid.

85. Ibid., Table 5-2, p. 66.

86. Brent D. Yacobucci and Jasper Womach, "Fuel Ethanol: Background and Public Policy Issues," Congressional Research Service report for Congress, March 22, 2000 (updated July 30, 2001), p. 4.

87. See U.S. International Trade Commission, *Harmonized Tariff Schedule of the United States* (Washington: Government Printing Office, 2001).

88. U.S. International Trade Commission, *The Economic Effects of Significant U.S. Import Restrictions: Second Update 1999* (Washington: Government Printing Office, May 1999), p. xv.

89. U.S. Department of Agriculture, *Agricultural Statistics, 1985,* cited in Clifton B. Luttrell, *The High Cost of Farm Welfare* (Washington: Cato Institute, 1989), p. 100.

90. General Accounting Office, "Sugar Program: Changing the Method for Setting Import Quotas Could Reduce Cost to Users," GAO/RECD-99-209, July 1999, p. 1.

91. General Accounting Office, "Sugar Program: Supporting Sugar Prices Has Increased Users' Costs While Benefiting Producers," GAO/RECD-00-126, June 2000, p. 5.

92. Bert Ely, "Fannie Mae and Freddie Mac: What's at Risk?" Paper presented at American Enterprise Institute second conference on Fannie Mae and Freddie Mac: Public Purposes and Private Interests, September 8, 1999, p 1A.

93. Vern McKinley, "The Mounting Case for Privatizing Fannie Mae and Freddie Mac," Cato Institute Policy Analysis no. 293, December 29, 1997.

94. Ibid.

95. Dan L. Crippen, "Federal Subsidies for the

Housing GSEs," Testimony before the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the House Committee on Financial Services, 107th Cong., 1st sess. May 23, 2001.

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