Big Business Gets Big Subsidies From Washington

Corporate welfare is alive and well in America, and the biggest corporations are raking in the most cash. That's the conclusion of a new report from the government-accountability organization Good Jobs First.

The group claims to have completed "the first comprehensive compilation of company-specific federal subsidy data," comprising "more than 160,000 award records from 137 federal programs" dating back to the year 2000. Subsidies to corporate subsidiaries were also rolled up into their parent companies' totals.

The results are hardly surprising.

Over the past 15 years, the federal government has given out $68 billion in grants and special tax credits, two-thirds of which have gone to just 582 large companies. Six parent companies have received $1 billion or more, 21 have received $500 million or more, and 98 have received $100 million or more.

The top eight recipients of these subsidies are energy companies, many of them owned by foreign corporations, which have scored big by jumping on the "renewable energy" bandwagon. The 2009 American Recovery and Reinvestment Act provided for companies to receive cash payments in lieu of tax credits for installing renewable-energy properties. Thus far, more than $23 billion in such payments has been doled out. Spanish energy company Iberdrola has received $2.2 billion in federal grants and tax credits since 2000, mostly on the basis of its buying up wind farms in the United States, making it the largest recipient of such corporate welfare. Other companies fattened their bank accounts with grants and tax credits for coal-power projects.

Grants and tax credits, however, are dwarfed by loans, loan guarantees, and bailout assistance made available through the Troubled Asset Relief Program (TARP) and Federal Reserve programs. Whereas grants and tax credits totaled $68 billion, the loans and bailouts come to a whopping $18 trillion, almost 99 percent of which went to large companies. A dozen U.S. and foreign banks took the lion's share, 78 percent, of this largesse, with four getting over a trillion dollars: Bank of America ($3.5 trillion), Citigroup ($2.6 trillion), Morgan Stanley ($2.1 trillion), and JPMorgan Chase ($1.3 trillion). Of the 50 biggest recipients of such aid, 27 were foreign banks and other financial companies, among them Barclays ($943 billion), Royal Bank of Scotland ($652 billion), and Credit Suisse ($532 billion). The report also notes that quite a few of the bailed-out banks have been "involved in cases of misconduct" such as "investor deception, interest rate manipulation, foreign exchange market manipulation, facilitation of tax evasion by clients, and sanctions violations."

Federal contractors, who already get about $400 billion a year from taxpayers, also took in other subsidies. "Of the 100 largest for-profit federal contractors in FY2014 (excluding joint ventures), 49 have received federal grants or allocated tax credits and 30 have received loans, loan guarantees, or bailout assistance," reads the report. "Two dozen have received both forms of assistance." Of those obtaining grants, General Electric leads the pack with $836 million, mostly from the Energy and Defense Departments; other contractors for these departments are also high on the list. Additionally, GE got $20 billion in Fed bailouts, while Boeing benefited from $64 billion from the Export-Import Bank (Ex-Im), which also provided loans and loan guarantees to other big companies. Boeing, in fact, is singled out in the report as "exceptionally favored by Uncle Sam" for its combination of federal contracts, grants, and loans.

Companies that have reincorporated abroad to avoid U.S. taxes are nevertheless on the receiving end of taxpayer subsidies here at home, Good Jobs First found. Power-equipment producer Eaton, which is based in Ohio but reincorporated in Ireland, has scored $32 million in grants and special tax credits and $7 million in loans and loan guarantees, with Ex-Im again playing a significant role. Ensco, a Texas-based oilfield-services company that reincorporated in Great Britain, has received $1 billion in loan guarantees from Ex-Im. (Ex-Im, facing resistance to its renewal in Congress, has lately taken to portraying itself as the friend of American small business; but as these examples demonstrate, it clearly is not.)

It stands to reason that corporations that can wrangle favorable deals in Washington can also do so at the state and local level, and the report bears this out. A 2014 Good Jobs First study found that "75 percent of cumulative disclosed [state and local] subsidy dollars have gone to just 965 large corporations, with Fortune 500 parent companies alone accounting for 43 percent of the total." Comparing that to the federal subsidy data in the group's latest report reveals that "eleven parent companies among the top 50 largest recipients of federal grants and allocated tax credits are also among the top 50 recipients of state and local subsidies." Likewise, six of the top 50 recipients of federal loans, loan guarantees, and bailouts are on the state and local list. Then there are subsidy-grabbers who appear on both federal lists as well as the state and local list: Boeing, Ford Motor Company, General Electric, General Motors, and JPMorgan Chase.

"For more than 20 years, so-called corporate welfare has been debated widely with little awareness of which companies were receiving most of the federal assistance," Good Jobs First executive director Greg LeRoy said in a press release accompanying the report.

"We now see that big business dominates federal subsidy spending the way it does state and local programs," added Philip Mattera, principal author of the study and creator of Subsidy Tracker, an online database allowing users to find out which companies are getting government assistance — and how much. "Our hope is that the new Subsidy Tracker will serve as a resource in the ongoing debates over federal assistance to business."

Of course, anyone with even a passing familiarity with the U.S. Constitution can see that there should be no debate. The federal government is not empowered to subsidize businesses, and thus it should not be doing so. State and local governments would be wise to refrain from doing so as well, for subsidies — besides robbing the poor to give to the rich — distort the market and waste scarce resources. And that, in the long run, harms everyone.