

Taxpayer-Funded Subsidies Are Robin Hood in Reverse

By Philip D. Harvey

Welfare caseloads are coming down all over the country. As welfare reform proceeds, a healthy debate is under way about how much help must be provided to assist poor people from welfare to work. However, there no longer is much disagreement about the importance of overall reform: Our welfare system has been creating a permanent underclass of desperate and despondent Americans.

What about welfare for corporations? Is there a comparable call for reform in the huge program of taxpayer subsidies to American business? It's pretty hard to hear. In fact, under the Clinton administration and the "revolutionary" Republican Congress, government subsidies to corporate and business interests actually are increasing. In 1996, corporate-welfare spending increased by almost \$500,000,000 over 1995, according to the CATO Institute's Dean Stansel and Stephen Moore.

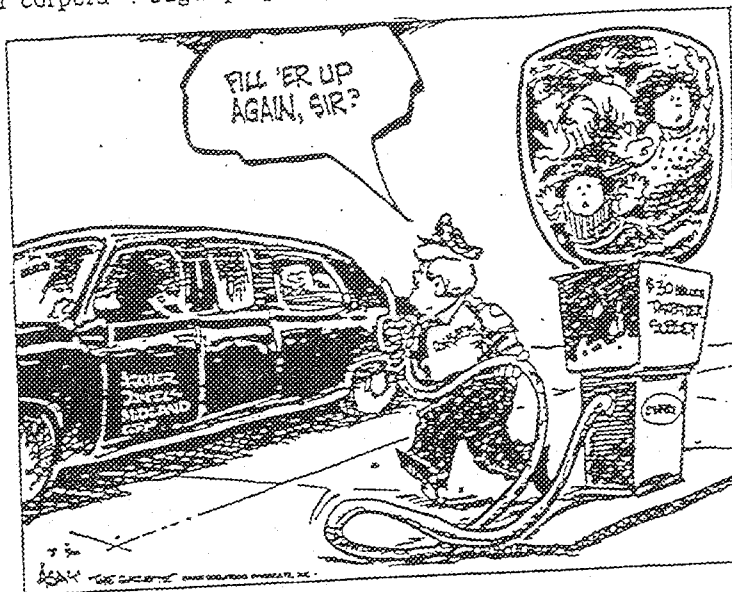
Why does American business continue to get handouts — and increases in those handouts — even as individuals are being cut back? The answer is political clout. And it is a lot of clout.

The federal government spends about \$65 billion every year on more than 100 programs that provide taxpayer assistance to American businesses. Subsidies for sugar, tobacco (yes, even as the government tries to curtail the cigarette industry with one hand, it continues to provide taxpayer subsidies with another), peanuts, energy, high technology and export trade all continue to get handouts, courtesy of the U.S. taxpayer.

Do these subsidies, paid for by every hardworking, taxpaying citizen in the country, benefit small struggling farmers and cash-strapped technology startups? Rarely. The benefits go overwhelmingly to the well-heeled. The sugar price-support program provides an excellent example.

American subsidization of sugar

farmers consists of a complex network of import quotas and loan subsidies. The sugar industry likes to keep it complicated so it will be hard to understand. Instead of a direct subsidy, American taxpayers pay extra to sugar growers at the supermarket. Sugar itself, and everything we buy that contains sugar, costs much more than it would if it weren't for the government program. As Rep. Dan Miller, a Florida Republican and a courageous spokesman on this subject, pointed out in the *Washington Post*, the sugar program "provides sugar pro-



cessors with special loans and limits fair competition with strict import quotas. The General Accounting Office, or GAO, says that as a result, the sugar program costs consumers \$1.4 billion a year in higher food prices. One of the least needy beneficiaries of this program is the Fanjul family, owners of Flo-Sun, a huge operation north of the Everglades controlled by brothers Alfonso and Jose Fanjul. The *New York Times* reports a GAO estimate that one year's worth of sugar subsidy provides the Fanjuls about \$65 million in additional net profits. Who pays for this? Every American who buys sugar or soft drinks or ketchup or pies.

Other examples of our Robin-Hood-in-reverse corporate subsidies? How about the Market Access Program, for which \$90 million was appropriated for 1997? This program provides funds to subsidize the advertising of major

American food exporters and has underwritten advertising for popcorn, frozen bovine semen and alligator hides. The not-so-poor beneficiaries of this program have included Ernest and Julio Gallo (\$4.9 million), the Dole Co. (\$1.6 million) and M&M Mars (\$1 million). This program also helped underwrite the advertising of raisins in Japan, where people don't eat raisins. The Japanese public was utterly baffled by the (untranslated) "dancing raisins" ads on their TV sets. This sort of waste, by the California Raisin Board, never would have happened with the board's own funds. But with the taxpayers' money, who cares?

And then there is the farm price-support program. According to U.S. Department of Agriculture, or USDA, estimates, two-thirds of federal farm payments, now in excess of \$5 billion

per year, are made to the wealthiest 15 percent of all farmers. Other major beneficiaries are huge agricultural businesses such as Archer-Daniels-Midland Co., or ADM, the Midwestern firm that contributes to all political candidates who are likely to vote on issues affecting their company's business. ADM is a major beneficiary of the sugar program because the high price of sugar makes corn sweetener — an ADM specialty — competitive. And it benefits directly from subsidies for ethanol, an otherwise noneconomical

gasoline additive made from corn. In keeping with the kind of corporate mentality that goes with making your living by jostling at the public trough, ADM also has pleaded guilty to price-fixing.

With the agricultural program, we pay twice. There are more employees at the USDA (who, among other tasks, oversee the dispensation of our largesse to agribusiness) than there are American farmers. We taxpayers pay all those USDA salaries, too.

Congress demanded a good, hard look at taxpayer subsidies to low-income individuals and reduced them through welfare reform. What possible justification can there be for continuing to increase taxpayer subsidies to wealthy businesses?

Philip D. Harvey is a writer and businessman whose company receives no government subsidies.