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Attack Corporate Welfare

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Now that President Clinton and his aides finally have signaled their willingness to negotiate with congressional Republicans on the fiscal 1996 budget, the stage is set for needed action to reduce the deficit and establish priorities for federal spending. An important part of that process will be to slice the wasteful business subsidies that make up what has been called "corporate welfare."

Neither the original Clinton budget, submitted last winter nor the House and Senate Republican budget now being enacted does an adequate job of curbing this spending. Interest groups that get the subsidies have been mobilized to keep them flowing. It will take leadership from both parties to break through the lobbying barriers. But an attack on corporate welfare ought to be the starting point when the Clinton administration and Congress get down to serious discussions later this summer.

Clinton has been having his fun with the Republicans the last few weeks, watching them struggle with fulfilling their pledge to balance the budget by 2002. He has attacked their controversial prescriptions for savings in Medicare, education and low-income assistance, while refusing to suggest any measures of his own to eliminate future deficits. But in an interview with New Hampshire Public Radio last weekend, he said that when Congress has approved the GOP budget resolution—which is only a preliminary to the actual spending decisions—he would go beyond his bland budget proposals of last winter and offer a "counter-budget" that would eliminate the deficit "in less than 10 years" and then "negotiate with them in good faith."

Trimming billions of dollars of corporate subsidies is the one major step on which experts in liberal and conservative think tanks agree. All it takes is political leadership—and a degree of bipartisanship—for it to happen.

Inside the administration, Secretary of Labor Robert Reich has been the strongest voice for curbing corporate welfare. But little of his thinking was reflected in the budget Clinton submitted earlier this year. Among congressional Republicans, House Budget Committee Chairman John Kasich (R-Ohio) has been the most outspoken in promising that GOP donors and Fortune 500 fat cats would not be spared in the economy moves. But Kasich was cut off by conservative elders on some of the major things he hoped to do.

The convergence of views on this particular issue among courageous people on the political left and right is even more conspicuous in the think-tank world. Ralph Nader's Public Citizen organization, the liberal Center on Budget and Policy Priorities and the libertarian conservative Cato Institute all agree on the need to cut corporate welfare. Last week Cato listed 129 programs totaling $87 billion a year that fatten the treasuries of private industry. They range from export promotion funds for giant food processors to transportation and interest-rate subsidies for manufacturers and utilities and the underwriting of recreation programs for workers in defense industries.

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The left-wing and right-wing think tanks have been joined in this battle by the centrist Democratic Leadership Council, which served as a launching pad for Clinton's presidential candidacy. Its chief economist, Rob Shapiro, has been promoting a budgetary strategy he calls "cut and invest." Trim back the special-interest subsidies, he says, and invest the savings in deficit reduction and programs that pay off in a better-educated, more skilled work force.

All that is needed to make "cut and invest" a political reality is leadership from the White House and Capitol Hill. The budget cutters could start in almost any department of government and strike pay dirt. The Cato report says that "every major Cabinet department, including the Defense Department, has become a conduit for government funding of private industry. Within some Cabinet agencies, such as the Department of Agriculture and the Department of Commerce, almost every spending program underwrites private businesses."

The direct subsidies are small potatoes compared with the special-interest tax loopholes remaining in the Internal Revenue Service code. Kasich had targeted $25 billion of them for closing—until others in the GOP leadership told him he was threatening to step on toes they had promised to protect.

There are deals here that are just begging to be shut down. The rewards go beyond the billions that could be put to better use. A bipartisan attack on corporate welfare could be a major step toward curing the cynical view that the big boys always win and the most vulnerable Americans always lose when Washington swings its economy ax.