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Federal Aid to Dependent Corporations: Clinton and Congress Fail to Eliminate Business Subsidies

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Executive Summary

According to Cato Institute estimates, the federal government currently spends roughly $60 billion a year on programs that provide spending subsidies to businesses. Two years ago both Congress and the Clinton administration pledged to attack that pervasive corporate safety net. This study finds that those promises have been largely unfulfilled.

We find that in 1995 Congress reduced corporate welfare spending by about 15 percent. In 1996, however, of the $37.7 billion budgeted for 55 of the least defensible programs, Congress increased spending by about $500 million. That was a 1.3 percent increase from the 1996 level.

Many corporate subsidy programs were reduced minimally or not at all by Congress. Those programs include the Agricultural Research Service, the International Trade Administration, the Payments to Air Carriers program, Federal Crop Insurance Corporation, the Commercial Space Transportation Office, the Overseas Private Investment Corporation, the Export-Import Bank, and the Agriculture Department's Market Access Program, which subsidizes the foreign advertising of U.S. corporations such as Pillsbury, Dole, and Jim Beam.

The Clinton administration has also shown itself hostile to corporate welfare cutbacks. For the 55 corporate welfare programs examined in this study, the administration's 1997 budget requested a 3.6 percent increase in spending. Moreover, the president's vetoes of the GOP budgets specifically targeted corporate welfare cuts as being too deep. The White House has resisted even small cutbacks in such areas as high-technology industry grants, agriculture price supports, and energy research programs. It also has rejected the shutdown of the Department of Commerce--the nerve center of the corporate welfare state.

Federal Aid to Dependent Corporations:
Clinton and Congress Fail to Eliminate Business SubsidiesThe corporate welfare debate is heating up. On January 28, 1997, Rep. John Kasich will put forth a

“dirty-dozen” list of corporate welfare spending programs that a bipartisan coalition of policy groups agree should be terminated. Sen. Sam Brownback will be leading a similar effort in the Senate. On the same day, Senators John McCain, Russell Feingold, Fred Thompson, and John Kerry will propose establishing a corporate subsidy reform commission that would be similar to the successful military base closure commission.

According to Cato Institute estimates, the federal government now spends roughly $60 billion each year on more than 100 programs that provide taxpayer assistance to American businesses. [1]Terminating those programs today could save taxpayers more than $300 billion over the next five years.

To put the cost of the spending subsidies in perspective, if all federal assistance to business were purged from the budget, the budget deficit could be cut roughly in half. Alternatively, if Congress were to eliminate all corporate spending subsidies, that would generate enough savings to entirely eliminate the capital gains tax and the federal estate tax. Reducing the deficit or eliminating those anti-growth taxes would do far more to benefit American industry and U.S. global competitiveness than does asking Congress to pick industrial winners and losers.

Corporate welfare is the use of taxpayer dollars to provide targeted benefits to specific firms or industries. In 1995 the Republicans in the 104th Congress pledged to "attack corporate welfare" as part of its quest to enact a seven-year balanced-budget plan. The Clinton administration also seemed eager to terminate unwarranted government handouts to business. The administration even challenged Congress to identify and eliminate "aid to dependent corporations." [2]

In the first year of the 104th Congress, most of the corporate safety net went untouched. Of the $19.5 billion budgeted for 35 of the least defensible programs, Congress cut just $2.8 billion in fiscal year 1996. That was a 15 percent cut from the 1995 level. Eighty-five percent of corporate welfare spending survived. [3]

This study examines how a broader array of corporate welfare programs fared in the second year of the 104th Congress. To answer the question, we review the spending levels requested by the president and approved by Congress for 55 of the most egregious examples of corporate welfare in the budget (see table). Those are programs that in most cases critics on both the left and the right have identified as unwarranted giveaways to business. (The Appendix provides a description and critique of each of those programs.) Our major conclusions follow.

- Those 55 spending programs provided $37.7 billion in corporate subsidies in FY96. President Clinton's FY97 budget proposal called for increasing spending on those programs by $1.3 billion. That would have been an increase of 3.6 percent.
- In the final FY97 budget passed by Congress, spending on those programs was increased by $500 million. That was a 1.3 percent increase from the 1996 level.
- Combined with the corporate welfare spending cuts in 1995, the two-year change was a savings of roughly 13 percent.
- Some expensive corporate subsidy programs were reduced minimally or not at all. Those programs include the Agricultural Research Service, the International Trade Administration, the Commercial Space Transportation Office, the Overseas Private Investment Corporation, the Export-Import Bank, and the Agriculture Department's Market Access Program.

- Spending was actually increased by 15 percent for the Payments to Air Carriers program. Substantial increases were also given to the Federal Crop Insurance Corporation, the National Agricultural Statistics Service, the Manufacturing Extension Partnership, the Maritime Security Program, and the Small Business Administration.

We rate the 104th Congress's performance on this issue a disappointment and the size of the cutbacks minimal. It is true that some cuts were made, more than in previous Congresses. But huge amounts of the corporate welfare state went untouched. The president's performance was even worse. With few exceptions, the administration has shown itself hostile to even small corporate welfare cutbacks proposed by Congress.

Conclusion

Corporate welfare has been the fiscal blind spot of congressional budget cutters. Virtually every corporate welfare program that existed in 1995 is still squandering taxpayer dollars today. Many have had their budgets increased. Reducing the deficit--and balancing the budget by 2002--will be difficult, if not impossible, to achieve without dramatic reductions in the corporate safety net. Last year Congress passed reforms in social welfare intended to save $55 billion over six years. Now, Congress should aim to save at least that much in corporate welfare as well.

Appendix: Worst Corporate Welfare Abusers

The following is a brief description of 55 of the most expensive and unjustified corporate welfare spending programs in the federal budget. All of them should be top candidates for elimination.

Agriculture Department

<u>Agricultural Credit Insurance Fund (1997 appropriation: $355.3 million).</u> The Agricultural Credit Insurance Fund provides direct loans and loan guarantees for those seeking credit to improve or purchase farms or to offset the cost of operating a farm.

<u>Agricultural Marketing Service (1997 appropriation: $50.3 million).</u> 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, mohair, and cut flowers.

<u>Agricultural Research Service (1997 appropriation: $785.9 million).</u> 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 the taxpayers.

<u>Commodity Credit Corporation Export Loans program (1997 appropriation: $393.8 million).</u> The Commodity Credit Corporation Export Loans program promotes the export of U.S. agricultural commodities by providing guaranteed subsidized loans to the purchasers of those exports.

Commodity Production Flexibility Contracts (replaces price support programs) (1997 appropriation: $5,385.0 million). Most Americans continue to believe the popular folklore that crop subsidies benefit struggling family farmers. In fact, most of the money subsidizes huge million-dollar-plus agribusinesses. The USDA itself concedes that two-thirds of the payments are made to the wealthiest 15 percent of all farmers. Moreover, the net worth of the average farmer today is twice as high as the net worth of the average U.S. family, and the average income of commercial farmers is 25 percent higher. For the rest of Americans, the net result of these huge subsidies to agribusiness is higher taxes and higher prices at the supermarket. The Federal Agriculture Improvement and Reform Act of 1996 eliminated the existing system of agricultural commodity price supports and replaced it with a system of Production Flexibility Contracts which will provide farmers with “transition payments.”

Conservation Reserve Program (1997 appropriation: $1,800 million). The Conservation Reserve Program pays farmers not to grow crops on their land. The stated rationale behind CRP is to help farmers control soil erosion and to decrease production of surplus commodities. However, if farmers' own planting decisions are causing soil erosion problems that inhibit their ability to profitably produce crops, those farmers should be responsible for taking actions to address the problem. The American taxpayer should not have to pay them to do so.

Cooperative State Research, Education, and Extension Service (1997 appropriation: $908.6 million). The Cooperative State Research, Education, and Extension Service funds programs, such as the Small Business Innovation research grant program, 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.

Economic Research Service (1997 appropriation: $53.1 million). 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 (1997 appropriation: $350.0 million). 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 USDA provides those exporters with cash bonuses to compensate them for the difference between the selling price and their costs. Three large agribusinesses have received almost half of the $7 billion distributed by EEP since its inception in 1985: Cargill, Continental Grain, and French-owned Louis Dreyfus.[4]

Federal Crop Insurance Corporation (1997 appropriation: $1,591.0 million). The Federal Crop Insurance Corporation (FCIC) provides subsidized crop insurance for U.S. farmers. FCIC subsidies compete with private crop insurance.

Foreign Agricultural Service (1997 appropriation: $135.6 million). The Foreign Agricultural Service maintains more than 60 overseas offices with agricultural counselors who seek to promote U.S. agricultural commodities abroad. FAS develops and maintains a voluminous database that is made available to the U.S. farming industry directly and is used to produce over 5,000 reports a year on foreign agricultural production; supply and demand in foreign markets; and trade policy developments. According to the General Accounting Office, "Much of the reporting, however, is put to little use either by USDA or the U.S. agricultural industry."

Market Access Program (1997 appropriation: $90.0 million). The USDA's Market Access Program (formerly Market Promotion Program) provides private food and other agricultural product firms with taxpayer dollars to help offset their foreign advertising costs. In recent years MPP annual budgets have included nearly $1.5 million to promote mink furs, $125,000 to promote frozen bovine semen, and nearly $120,000 to promote alligator hides. Furthermore, much of the money goes to America's largest corporations. For instance,last year Welch's Foods received $700,000, the Pillsbury Company and Tyson Foods each received $500,000, and Campbell Soup received nearly $300,000. In past years, Ernest & Julio Gallo received $4.9 million, the Dole Company received $1.6 million, and M&M Mars received $1 million.

National Agricultural Statistics Service (1997 appropriation: $100.2 million). USDA's National Agricultural Statistics Service collects and publishes the official data on agricultural crops and livestock (acreage, yield, production, etc.) used in the computation of farm program payments. This program should be terminated along with the programs that provide those payments.

Public Law 480 (1997 appropriation: $1,067.8 million). P.L. 480 promotes the export of U.S. agricultural commodities by providing subsidized loans to purchasers of those goods in developing countries.

Rural Business-Cooperative Service (1997 appropriation: $104.8 million). The Rural Business-Cooperative Service (RBCS) was established in 1994 to administer programs of the former Rural Development Administration and 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 the development and commercialization of new non-food industrial and commercial products derived from agricultural and forestry materials.

Rural Utilities Service (1997 appropriation: $680.9 million). The Rural Utilities Service (RUS) was established in 1994 to administer programs of the former Rural Electrification Administration and Rural Development Administration. RUS provides subsidized loans to electric and telephone utility providers in rural areas. Through its Rural Utilities Assistance program, RUS provides grants and subsidized loans for water, waste disposal, and solid waste management activities.

Commerce Department

Advanced Technology Program (1997 appropriation: $225.0 million). The mission of the Advanced Technology Program is to enhance the competitiveness of U.S. companies by helping them to make better use of basic research in new technologies. ATP gives away nearly half a billion dollars a year in R&D grants to huge high-tech corporations like Caterpillar, General Electric, and Xerox. Those grants assist some of the United States' largest companies in developing and bringing to market profitable new products. General Accounting Office audits have found many ATP grantees whose overhead costs exceed actual research expenses.[5] ATP was zeroed out by Congress in the 1996 budget cycle, but President Clinton vetoed that bill and secured a compromise that allowed ATP to survive with a 49 percent budget cut. In 1997, ATP's budget was actually increased by 2 percent.

Economic Development Administration (1997 appropriation: $373.5 million). 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 that doles out grants to assist private firms and industries that are deemed to have been adversely affected by increased imports.

International Trade Administration (1997 appropriation: $270.0 million). The International Trade Administration conducts export promotion programs directed toward specific industry sectors through its Trade Development Program. ITA's U.S. and Foreign Commercial Service provides counseling to U.S. businesses on exporting and facilitates participation of U.S. firms in trade shows. ITA also provides marketing services, develops regional and multilateral trade strategies, and investigates economically antiquated anti-dumping and countervailing duty cases. All those activities are more appropriately conducted directly by the private businesses and industries they are intended to benefit.

Manufacturing Extension Partnership (1997 appropriation: $95.0 million). The Manufacturing Extension Partnership program is to the manufacturing industry what the Agricultural Department's Extension Service is to the farming industry. MEP 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 the case of MEP. MEP's activities should instead be funded directly by their intended beneficiaries, America's manufacturing firms.

Minority Business Development Agency (1997 appropriation: $28.0 million). 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. MBDA activities often focus on how to secure government contracts, rather than on how to develop and maintain a business that caters to the demands of private consumers. Such activities are of dubious value. To encourage the development of minority-owned businesses, the federal government should 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: nonweather activities (1997 appropriation: $1,281.0 million). The nonweather portion of NOAA's budget funds activities such as analysis and dissemination of fishery industry information, fishery trade and export promotion, and industry assistance programs, all of which provide benefits to the fishing industry. Other nonweather activities include mapping and charting services used by private industry.

Defense Department

Army Corps of Engineers (1997 appropriation: $3,503.2 million). The Army Corps of Engineers builds, operates, and maintains the nation's inland waterways system, including dams and other structures. Taxpayer funding of those activities is particularly beneficial to the private barge companies and bulk commodity shippers who make frequent use of those 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.

Defense Advanced Research Projects Agency (DARPA): applied R&D programs (1997 appropriation: $1,111.0 million). The Defense Advanced Research Projects Agency (DARPA) funds a variety of applied R&D programs, some of which exist for non-military purposes. For example, the new Dual Use Applications Program (which builds on the former Technology Reinvestment Project) is the primary vehicle of the Defense Department's strategy to encourage the development of dual-use technologies (i.e., those with both military and civilian uses). Proponents of dual-use technology development argue that it will help to reduce procurement costs and enable the military to more rapidly integrate new technologies into defense systems. In reality, the millions of dollars of research grants given to huge high-tech firms like Boeing, Hewlett Packard, and Texas Instruments end up subsidizing the development of profitable new civilian technologies that should be developed by private industry. Other DARPA programs that have a similar impact include the Advanced Electronics Technologies program, the Computing Systems and Communications Technology program, and the Materials and Electronics Technology program.

Energy Department

Clean Coal Technology Program (1997 appropriation: $12 million). The Clean Coal Technology Program

(CCTP) was not given any new spending authority for FY1997, but it continues to fund existing projects at the rate of about $12 million per year. CCTP 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.

Energy Conservation programs (1997 appropriation: $569.8 million). DOE's Energy Conservation programs account funds applied research and development projects intended to discover new energy efficiency 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, the Technology Access program, and Transportation Technology programs such as the alternative fueled vehicles and the electric drive vehicle projects.

Energy Information Administration (1997 appropriation: $66.1 million). The Energy Information Administration collects and disseminates data on current energy sources, alternative energy sources, end uses, prices, supply and demand, and environmental matters. Using those data, EIA prepares voluminous forecasts, statistical analyses, and other reports. In a truly free market for energy, Congress and the executive branch would have little use for such information. Further, to the extent the information provided by EIA is deemed valuable by private industry, those firms should bear the cost of obtaining it. They should not be allowed to shift that cost to the taxpayer. In fact, much of the information provided by EIA is already being provided by the private sector and by nonprofit industry associations.

Energy Supply Research & Development (1997 appropriation: $2,710.9 million). The Energy Supply Research & 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 research, development, and demonstration ventures in partnership with private-sector firms. Research areas include solar and renewable energy, nuclear energy, and fusion energy. Such activities are more appropriately conducted by private industry.

Fossil Energy Research & Development (1997 appropriation: $364.7 million). The Fossil Energy Research & Development program is designed to expand the technology base for private industry when 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/efficient power systems, oil technology, natural gas, and fuel cells.

General Science and Research activities (1997 appropriation: $996.0 million). DOE's General Science and Research activities account funds research in high-energy physics and nuclear physics. Advocates of such research argue that it produces technology breakthroughs--in areas such as high-speed computing and electronics, superconducting magnet technology, and high-power radio frequency devices--that contribute to the profitability of U.S. corporations.

Power Marketing Administrations (1997 appropriation: $240.1 million). The federal government generates electric power at 127 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. PMA-subsidized electricity ends up powering areas that include ski resorts in Aspen, Colorado, five-star hotels in Hilton Head, South Carolina, gambling casinos in Las Vegas, Nevada, and sprawling estates in some of the nation's most affluent neighborhoods.

Uranium Supply and Enrichment activities (1997 appropriation: $60.5 million). Uranium Supply and Enrichment activities include transferring enrichment-related technologies to the private sector, forming technology partnerships with private industry to bolster U.S. industrial competitiveness, developing more effective and efficient methods of using and disposing of depleted uranium, and providing uranium enrichment services to private utilities that operate nuclear power plants.

Transportation Department

Commercial Space Transportation Office (1997 appropriation: $6.0 million). The Commercial Space Transportation Office funds research and development activities on private-sector space transportation. The office's explicit goal is to encourage, facilitate, and promote commercial space launches by private-sector companies. If private industry wishes to launch vehicles into space, it should fund the requisite research and development with its own money, not with the money of the American taxpayers.

Payments to Air Carriers program (1997 appropriation: $25.9 million). The Payments to Air Carriers program--sometimes referred to as Essential Air Service--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. Several of the communities to which air travel is subsidized are high-priced resort areas. Thus the taxpayer helps underwrite luxury resorts and five-star hotels. Payments to Air Carriers was intended to be a transitional program and was initially authorized for only 10 years, yet it has somehow managed to survive the budget ax year after year.

Federal Highway Administration: demonstration projects (1997 appropriation: $800.0 million). The Federal Highway Administration's demonstration projects represent pork-barrel politics at its finest. Each year members of Congress spend millions of tax dollars to be used for demonstration projects in their districts. Much of the largesse of those unnecessary projects goes to benefit highway contractors and other private companies.

Grants-in-Aid for Airports (1997 appropriation: $1,460.0 million). 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 not be borne by the general taxpayer, but by the direct (commercial airliners) and indirect (commercial airline passengers) beneficiaries of those activities.

Maritime Administration: Operating-Differential Subsidies (1997 appropriation: $148.4 million). 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 extent to which their operating costs exceed 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 then forced to pick up the tab for the industry's inefficiency.

Maritime Administration: Guaranteed Loan Program (1997 appropriation: $40.9 million). The Maritime Administration's Guaranteed Loan program provides guaranteed loans for purchasers of ships from the U.S. shipbuilding industry and for modernization of U.S. shipyards.

Maritime Security Program (1997 appropriation: $54.0 million). The Maritime Security Program provides direct payments to U.S. ship operators engaged in foreign trade. In exchange, those ship operators must keep their vessels in active commercial service and agree to provide intermodal sealift support to the Department of Defense in the event of war.

Independent Agencies and Other

Appalachian Regional Commission (1997 appropriation: $160.0 million). 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 seeking to promote private investment. Much of ARC's budget goes to construction companies building roads and highways. Over the years those dollars have financed the construction of more than 2,000 miles of local roads. ARC also funds basic infrastructure construction (e.g., water and sewer systems), housing project financing, business development grants, and efforts to increase access to health care.

Bureau of Reclamation (Interior Department) (1997 appropriation: $775.3 million). 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. Using taxpayer dollars to fund activities that provide assistance to one specific industry in one specific region of the country is an illegitimate function of government.

Federal Housing Administration (FHA) (1997 appropriation: $643.1 million). The Federal Housing Administration (FHA) subsidizes the mortgage banking industry by providing low-rate mortgage insurance to low- and moderate-income homebuyers. However, since 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.

Export-Import Bank (1997 appropriation: $772.6 million). The Export-Import Bank uses taxpayer dollars to provide subsidized financing to foreign purchasers of U.S. goods. Eximbank's activities consist of making direct loans to those buyers at below-market interest rates, guaranteeing the loans of private institutions to those buyers, and providing export credit insurance to exporters and private lenders. In effect, Eximbank subsidizes the exports of some of America's largest companies, including Boeing, General Electric, and Westinghouse. Furthermore, according to the Congressional Budget Office, in the 60 years of its existence, Eximbank has lost $8 billion on its operations--most of that in the last 15 years. In addition, the new subsidy costs for Eximbank are estimated to be about $800 million a year.

NASA Aeronautical Research and Technology activities (1997 appropriation: $888.0 million). NASA's Aeronautical Research and Technology account funds R&D activities (often in direct partnership with private industry) that benefit the commercial airline industry. For example, the Advanced Subsonic Technology program funds the development of new electronics systems designed for use in commercial aircraft. The High Speed Research program, working in cooperation with private industry, aims to develop new technologies necessary for future supersonic commercial airplanes. Such applied research and development offers direct benefits to specific private companies. Those companies should be the ones to bear the costs of that R&D, not the taxpayers.

National Institutes of Health: applied biomedical research (1997 appropriation: $4,287.7 million). The National Institutes of Health's applied biomedical research activities are of direct benefit to private industry. For instance, according to a Congressional Budget Office report, some of those research dollars are used in the preclinical and clinical development of specific pharmaceuticals. [6]

National Science Foundation: High Performance Computing and Communications program (1997 appropriation: $290.0 million). The NSF'S High Performance Computing and Communications program funds research projects designed to create more powerful computers, faster computer networks, and more sophisticated software. HPCC's research also seeks to solve complex scientific and engineering computing problems known as “Grand Challenges.” That research can have commercial applications in areas such as weather forecasting, designing life-saving drugs, and modeling aircraft.

Overseas Private Investment Corporation (1997 appropriation: $104.0 million). The Overseas Private Investment Corporation provides direct loans, guaranteed loans, and political risk insurance to U.S. firms that invest in developing countries. OPIC's activities serve to underwrite Fortune 500 corporations, such as Coca-Cola and General Electric. Such private business investments should be financed by private banks and insurance companies--who can charge risk-based interest rates and premiums--not federal taxpayers.

Partnership for a New Generation of Vehicles (1997 appropriation: $240.0 million). The Partnership for a New Generation of Vehicles is a multi-agency program that provides research dollars to Chrysler, Ford, and General Motors with the explicit goal of enhancing the competitiveness of the U.S. auto industry. That research is specifically designed to develop advanced manufacturing techniques that make it easier to get new automobiles and auto components into the marketplace quickly, develop new technologies for improvements in auto efficiency, safety, and emissions, and produce prototype vehicles that are three times more fuel efficient than today's cars with no sacrifice in comfort, performance, or price.

Small Business Administration (1997 appropriation: $852.3 million). 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 1 percent of all small businesses. To qualify for an SBA loan a business must have been turned down for a loan by at least two banks. Not surprisingly, the SBA has a terrible record in selecting businesses to support; as many as 20 percent of its loans go sour in any given year.

Tennessee Valley Authority (1997 appropriation: $106.0 million). The Tennessee Valley Authority is a government-owned corporation established in 1933. Its primary activity is to operate a multi-billion-dollar electric utility that is the sole supplier of electric power to an 80,000-square-mile area in the seven states along the Tennessee River Valley. Other TVA activities include maintaining a system of dams, reservoirs, and navigation facilities that benefit the private shipping industry; managing 300,000 acres of public land and 11,000 miles of shoreline; conducting environmental research; and funding a variety of local economic development projects. The majority of TVA activities and assets should be privatized.

Trade and Development Agency (1997 appropriation: $40.0 million). 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's projects thereby subsidize new business opportunities for large U.S. corporations, especially in the areas of consulting and engineering. Taxpayers should not be forced to fund such activities designed to develop new markets for private businesses. Private businesses should bear the full cost of marketing their goods and services.

How 55 of the Worst Corporate Welfare Programs Fared in the FY 1997 Budget Process (millions of dollars)

Program/Agency	**1996 Actual**	**1997 President's Proposal**	Percent Change	**1997 Appro-priation**	Percent Change
Agriculture Department (16 programs)					
Agricultural Credit Insurance Fund	**$399.4**	**$361.2**	**-9.6%**	**$355.3**	**-11.0%**
Agricultural Marketing Service	**$58.2**	**$60.1**	**3.3%**	**$50.3**	**-13.6%**
Agricultural Research Service	**$740.2**	**$809.0**	**9.3%**	**$785.9**	**6.2%**
Commodity Credit Corporation Export Loans program	**$377.7**	**$393.9**	**4.3%**	**$393.8**	**4.3%**
Commodity Production Flexibility Contracts (replaces price support programs) 1	**$5,570.0**	**$5,385.0**	**-3.3%**	**$5,385.0**	**-3.3%**

Conservation Reserve Program *	**$1,781.8**	**$1,924.9**	**8.0%**	**$1,800.0**	**1.0%**
Cooperative State Research, Education, and Extension Service	**$907.5**	**$842.1**	**-7.2%**	**$908.6**	**0.1%**
Economic Research Service	**$53.1**	**$54.9**	**3.4%**	**$53.1**	**0.0%**
Export Enhancement Program 1	**$350.0**	**$350.0**	**0.0%**	**$350.0**	**0.0%**
Federal Crop Insurance Corporation	**$1,263.7**	**$1,591.0**	**25.9%**	**$1,591.0**	**25.9%**
Foreign Agricultural Service	**$124.8**	**$137.1**	**9.9%**	**$135.6**	**8.7%**
Market Access Program 1	**$90.0**	**$90.0**	**0.0%**	**$90.0**	**0.0%**
National Agricultural Statistics Service	**$81.1**	**$102.6**	**26.5%**	**$100.2**	**23.6%**
Public Law 480	**$1,134.0**	**$1,071.8**	**-5.5%**	**$1,067.8**	**-5.8%**
Rural Business-Cooperative Service (RBCS) 2	**$112.4**	**$129.8**	**15.5%**	**$104.8**	**-6.8%**
Alternative Agricultural Research and Commercialization fund	($6.5)	($7.0)	7.7%	($7.0)	7.7%
RBCS loan subsidies	($49.6)	($40.7)	-17.8%	($20.8)	-58.1%
Rural business-cooperative assistance program	($0.0)	($53.8)	N/A	($51.4)	N/A
Rural Utilities Service (RUS) 2	**$670.7**	**$795.5**	**18.6%**	**$680.9**	**1.5%**
RUS loan subsidies	($99.6)	($43.2)	-56.6%	($38.2)	-61.6%
Rural utilities assistance program	($498.9)	($661.6)	32.6%	($566.9)	13.6%
Commerce Department (6 programs)					
Advanced Technology Program	**$221.0**	**$345.0**	**56.1%**	**$225.0**	**1.8%**
Economic Development Administration 3	**$348.5**	**$353.5**	**1.4%**	**$373.5**	**7.2%**
International Trade Administration	**$264.9**	**$268.3**	**1.3%**	**$270.0**	**1.9%**
Manufacturing Extension Partnership	**$80.0**	**$105.0**	**31.3%**	**$95.0**	**18.8%**
Minority Business Development Agency	**$32.0**	**$34.0**	**6.3%**	**$28.0**	**-12.5%**
National Oceanic and Atmospheric Administration: nonweather activities	**$1,252.8**	**$1,351.5**	**7.9%**	**$1,281.0**	**2.3%**
Defense Department (5 programs)					
Army Corps of Engineers	**$3,366.3**	**$3,292.9**	**-2.2%**	**$3,503.2**	**4.1%**

Defense Advanced Research Projects Agency (DARPA): applied R&D programs					
Dual Use Applications programs (formerly Technology Reinvestment Project)	**$195.0**	**$312.9**	**60.5%**	**$195.0**	**0.0%**
Advanced Electronics Technologies R&D	**$409.0**	**$332.1**	**-18.8%**	**$368.1**	**-10.0%**
Computing Systems and Communications Technology R&D	**$396.3**	**$347.0**	**-12.4%**	**$325.1**	**-18.0%**
Materials and Electronics Technology R&D	**$248.1**	**$218.5**	**-11.9%**	**$222.8**	**-10.2%**
Energy Department (8 programs)					
Clean Coal Technology program 4	**$12.0**	**$12.0**	**0.0%**	**$12.0**	**0.0%**
Energy Conservation programs 2	**$553.2**	**$735.4**	**32.9%**	**$569.8**	**3.0%**
Industries of the Future and Technology Access programs	($115.7)	($159.4)	37.8%	($117.6)	1.6%
Transportation technology programs	($176.6)	($221.3)	25.3%	($175.2)	-0.8%
Energy Information Administration	**$72.3**	**$66.1**	**-8.6%**	**$66.1**	**-8.6%**
Energy Supply Research and Development 2	**$2,727.4**	**$3,020.5**	**10.7%**	**$2,710.9**	**-0.6%**
Solar and renewable energy	($275.2)	($363.2)	32.0%	($270.0)	-1.9%
Nuclear energy	($231.0)	($248.1)	7.4%	($222.7)	-3.6%
Biological and environmental research	($419.5)	($379.1)	-9.6%	($389.1)	-7.2%
Fusion energy	($244.1)	($255.6)	4.7%	($232.5)	-4.8%
Basic energy sciences	($791.7)	($653.7)	-17.4%	($649.7)	-17.9%
Computational and technology research	($0.0)	($158.1)	N/A	($153.5)	N/A
Fossil Energy Research and Development 2	**$417.0**	**$348.5**	**-16.4%**	**$364.7**	**-12.5%**
Advanced clean fuels research	($19.6)	($16.0)	-18.4%	($16.2)	-17.3%
Advanced clean/efficient power systems	($80.3)	($66.8)	-16.8%	($69.2)	-13.8%
Advanced research and technology development	($21.4)	($19.9)	-7.0%	($17.6)	-17.8%
Oil technology R&D	($55.7)	($52.5)	-5.7%	($45.9)	-17.6%
Natural gas research	($59.7)	($57.1)	-4.4%	($69.1)	15.7%

Fuel cells R&D	($52.5)	($46.6)	-11.2%	($51.1)	-2.7%
Energy Technology Center program	($55.3)	($45.2)	-18.3%	($54.3)	-1.8%
General Science and Research Activities	**$981.0**	**$1,009.2**	**2.9%**	**$996.0**	**1.5%**
Power Marketing Administrations	**$312.5**	**$270.7**	**-13.4%**	**$240.1**	**-23.2%**
Uranium Supply and Enrichment Activities	**$89.9**	**$87.3**	**-2.9%**	**$60.5**	**-32.7%**
Transportation Department (7 programs)					
Commercial Space Transportation Office	**$5.8**	**$6.2**	**6.9%**	**$6.0**	**3.4%**
Payments to Air Carriers (Essential Air Service program)	**$22.6**	**$21.9**	**-3.1%**	**$25.9**	**14.6%**
Federal Highway Administration demonstration projects 4	**$800.0**	**$800.0**	**0.0%**	**$800.0**	**0.0%**
Grants-in-Aid for Airports	**$1,450.0**	**$1,350.0**	**-6.9%**	**$1,460.0**	**0.7%**
Maritime Administration: Operating-Differential Subsidies	**$162.6**	**$148.4**	**-8.7%**	**$148.4**	**-8.7%**
Maritime Administration: Guaranteed Loan Program	**$43.5**	**$44.0**	**1.1%**	**$40.9**	**-6.0%**
Maritime Security Program	**$46.0**	**$100.0**	**117.4%**	**$54.0**	**17.4%**
Independent Agencies and Other (13 programs)					
Appalachian Regional Commission	**$170.0**	**$170.0**	**0.0%**	**$160.0**	**-5.9%**
Bureau of Reclamation (Interior Dept.)	**$809.2**	**$800.2**	**-1.1%**	**$775.3**	**-4.2%**
Export-Import Bank	**$790.2**	**$784.2**	**-0.8%**	**$772.6**	**-2.2%**
Federal Housing Administration	**$629.1**	**$718.1**	**14.1%**	**$643.1**	**2.2%**
International Monetary Fund subsidies 5	**$730.0**	**$730.0**	**0.0%**	**$730.0**	**0.0%**
NASA Aeronautical Research and Technology activities	**$873.0**	**$886.0**	**1.5%**	**$888.0**	**1.7%**
National Institutes of Health: applied biomedical research 6	**$4,012.0**	**$4,163.0**	**3.8%**	**$4,287.7**	**6.9%**
National Science Foundation: High Performance Computing and Communications 7*	**$291.0**	**$280.0**	**-3.8%**	**$290.0**	**-0.3%**
Overseas Private Investment Corporation 8	**$98.0**	**$104.0**	**6.1%**	**$104.0**	**6.1%**

Partnership for a New Generation of Vehicles 7*	**$241.0**	**$288.0**	**19.5%**	**$240.0**	**-0.4%**
Small Business Administration 9	**$689.2**	**$908.4**	**31.8%**	**$852.3**	**23.7%**
Tennessee Valley Authority	**$109.2**	**$120.0**	**9.9%**	**$106.0**	**-2.9%**
Trade and Development Agency	**$40.0**	**$40.0**	**0.0%**	**$40.0**	**0.0%**
TOTAL (55 programs)	**$37,706.2**	**$39,071.7**	**3.6%**	**$38,183.3**	**1.3%**

Source: FY 1997 Congressional Appropriations Bill Reports, and H.R. 3610, FY 1997 Omnibus Appropriations Bill, Conference Report, Report No. 104-863, September 28, 1996.

*Congressional appropriation figure unavailable. Number listed is based on historical levels.

1--Production flexibility contracts, EEP, and MAP are mandatory, not discretionary, programs, so the figures listed are from H.R. 2854, Federal Agriculture Improvement and Reform Act of 1996, Conference Report, Report No. 104-494, March 25, 1996, p. 367.

2--Figures in parentheses for selected programs within this category are shown for illustrative purposes only. Those amounts are already included in the total for this category. They do not represent additional spending beyond that total.

3--1997 figure includes $25 million in separate emergency appropriations for disaster assistance.

4--Figures for highway demonstration projects and Clean Coal Technology Program reflect historical level. Separate figures were not available. (Source: House Budget Committee)

5--Figure for IMF refers to the IMF's General Agreements to Borrow and Enhanced Structural Adjustment Facility. (Source: House Budget Committee)

6--Figure for NIH applied biomedical research is based on the historical share of total NIH research budget, as calculated by the Congressional Budget Office.

7--Figures for 1996 and 1997 President's request are from Analytical Perspectives, Budget of the U.S. Government, FY1997.

8--OPIC figures exclude insurance fees and other offsetting revenues collected by OPIC.

9--1997 figure includes $135 million in separate emergency appropriations for disaster assistance.

Notes

[1]See Stephen Moore and Dean Stansel, "Ending Corporate Welfare As We Know It," Cato Institute Policy Analysis no. 225, May 12, 1995.

[2]Robert Reich, "Revolt of the Anxious Class," Speech before the Democratic Leadership Council, November 22, 1994.

[3]See Stephen Moore and Dean Stansel, "How Corporate Welfare Won: Clinton and Congress Retreat from Cutting Business Subsidies," Cato Institute Policy Analysis no. 254, May 15, 1996.

[4]Janice Shields and James M. Sheehan, "Left and Right Come Together on Ending Corporate Welfare," Washington Times, June 13, 1995, p. A21.

[5]Cited in Ted Bunker, "Will GOP End Technology Pork?" Investor's Business Daily, December 20, 1994, pp. A1-A2.

[6]Congressional Budget Office, “Federal Financial Support of Business,” July 1995, p. 24.