

Average American Family Pays \$6K a Year in Subsidies to Big Business

by Paul Buchheit

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\$6,000.

That's over and above our payments to the big companies for energy and food and housing and health care and all our tech devices. It's \$6,000 that no family would have to pay if we truly lived in a competitive but well-regulated free-market economy.

The \$6,000 figure is an average, which means that low-income families are paying less. But it also means that families (households) making over \$72,000 are paying *more* than \$6,000 to the corporations.

1. \$870 for Direct Subsidies and Grants to Companies

The Cato Institute estimates that the US federal government spends \$100 billion a year on corporate welfare. That's an average of \$870 for each one of America's 115 million families. Cato notes that this includes "cash payments to farmers and research funds to high-tech companies, as well as indirect subsidies, such as funding for overseas promotion of specific US products and industries...It does not include tax preferences or trade restrictions."

It *does* include payments to 374 individuals on the plush Upper East Side of New York City and others who own farms, including Bruce Springsteen, Bon Jovi and Ted Turner. Wealthy heir Mark Rockefeller received \$342,000 to NOT farm, to allow his Idaho land to return to its natural state.

It also includes fossil fuel subsidies, which could be anywhere from \$10 billion to \$41 billion per year for research and development. Yet this may be substantially *underestimated*.

The IMF reports US fossil fuel subsidies of \$502 billion, which would be almost \$4,400 per US family by taking into account "the effects of energy consumption on global warming [and] on public health through the adverse effects on local pollution." According to *Grist*, even this is an underestimate.

2. \$696 for Business Incentives at the State, County and City Levels

The subsidies mentioned above are *federal* subsidies. A *New York Times* investigation found that states, counties and cities give up over \$80 billion each year to companies, with beneficiaries coming from: "virtually every corner of the corporate world, encompassing oil and coal conglomerates, technology and entertainment companies, banks and big-box retail chains." \$80 billion a year is \$696 for every US family. But *The Times* notes that "The cost of the awards is certainly far higher."

3. \$722 for Interest Rate Subsidies for Banks

According to The Huffington Post, the "US government essentially gives the banks 3 cents of every tax dollar." They cite research that calculates a nearly one percent benefit to banks when they borrow, through bonds and customer deposits and other liabilities. This amounts to a taxpayer subsidy of \$83 billion or about \$722 from every American family.

The wealthiest five banks — JPMorgan, Bank of America Corp., Citigroup Inc., Wells Fargo & Co. and Goldman Sachs — account for three-quarters of the total subsidy. *The Huffington Post* article notes that without the taxpayer subsidy, those banks would not make a profit. In other words, "the profits they report are essentially transfers from taxpayers to their shareholders."

4. \$350 for Retirement Fund Bank Fees

This was a tough one to calculate. Demos reports that over a lifetime, bank fees can "cost a median-income two-earner family nearly \$155,000 and consume nearly one-third of their investment returns." Fees are well over one percent a year.

However, the Economic Policy Institute notes that the average middle-quintile retirement account is \$34,981. A conservative one percent annual management fee translates to about \$350 per family. This, again, is an average; many families have no retirement account. But many families pay much more than one percent in annual fees.

5. \$1,268 for Overpriced Medications

According to Dean Baker, "government granted patent monopolies raise the price of prescription drugs by close to \$270 billion a year compared to the free market price." This represents an astonishing annual cost of over \$2,000 to an average American family.

OECD figures on pharmaceutical expenditures reveal that Americans spend almost twice the OECD average on drugs, an additional \$460 per capita. This translates to \$1,268 per household.

6. \$870 for Corporate Tax Subsidies

We've heard a lot about tax avoidance and tax breaks for the super-rich. With regard to corporations alone, the Tax Foundation has concluded that their "special tax provisions" cost taxpayers over \$100 billion per year or \$870 per family. Corporate benefits include items such as graduated corporate income, inventory property sales, research and experimentation tax credit, accelerated depreciation and deferred taxes.

Once again, it may be even worse. Citizens for Tax Justice cite a Government Accountability Office report that calculated a loss to the Treasury of \$181 billion from corporate tax expenditures. That would be almost \$1,600 per family.

7. \$1,231 for Revenue Losses from Corporate Tax Havens

US PIRG recently reported that the average 2012 taxpayer paid an extra \$1,026 in taxes to make up for the revenue lost from offshore tax havens by corporations and wealthy individuals. With 138 million taxpayers (1.2 per household), that comes to \$1,231 per household.

Much More Than an Insult

Overall, American families are paying an annual \$6,000 subsidy to corporations that have doubled their profits and cut their taxes in half in 10 years while cutting 2.9 million jobs in the US and adding almost as many jobs overseas.

This is more than an insult. It's a devastating attack on the livelihoods of tens of millions of American families. And Congress just lets it happen.

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