

## THE TAXONOMIST

**Oinkonomics: The Anti-Jobs Corporate Pork Bill**

By Robert S. McIntyre

**C**ongress seems on the verge of enacting a major new corporate tax giveaway bill this summer. Ostensibly designed to protect American manufacturing jobs, it will almost certainly have the opposite effect. But hardly any of our lawmakers seem to understand—or care.

These days, every dollar we add to our budget shortfall is another dollar that we have to borrow from foreigners. That in turn is another dollar that foreigners won't use to buy our exports. So if our politicians really wanted to help manufacturing jobs, they'd be working hard to attack our enormous budget deficit, by rolling back Bush's tax cuts and raising additional revenues wherever they can find them.

Instead, new corporate tax breaks approved by the Senate in May will likely cost a whopping \$270 billion over the next decade. Similar changes pending in the House will cost even more. From the point of view of our trade deficit—not to mention budget policy—this will be a huge negative.

The press, notably the *Washington Post*, has correctly portrayed the Senate and House bills as bonanzas for corporate special interests. Likewise, Sen. John McCain (R-Az.) called the Senate bill a “shameless scam” that “has grown into a . . . Christmas tree of goodies.” Sadly, these salient critiques weren't enough to stop the Senate from passing its bill by a staggering 92-5 margin—as almost every Senator vied for a piece of the action.

The bill's chief Senate sponsor, Finance Committee Chairman Chuck Grassley (R-Ia.), led off the Senate debate by trying to answer his attackers. But by devoting several pages of the Congressional Record to a long list of his bill's “bipartisan” narrow-interest provisions—more than 130 by my count—he inadvertently proved McCain and the press's point.

Both Grassley and the bill's chief Democratic sponsor, Sen. Max Baucus of Montana seem to have some inkling that sharply increasing the budget deficit isn't good for trade and jobs. So they went to great pains to insist that while their bill doesn't cut the deficit, it includes enough offsetting revenue increases that it at least doesn't make things worse. But their claim is false.

“I don't think it does harm to emphasize,” said Grassley, “sometimes we pass a tax bill and less money comes into the Federal Treasury and we might have a bigger deficit. This bill does not do that. Not one dime is added to

the current deficit.” Baucus contrasted the Senate corporate bill to President Bush's budget chicanery. “Our current budget deficit is projected at about \$521 billion this year. We all know that is basically an understatement. It is going to be much worse. Why? Because the administration's budget . . . [among other things] does not include the cost of making expiring tax cuts permanent. . . . I say that because it is all the more reason why this bill must be budget neutral.”

**I**n truth, however, the Senate bill achieves its supposed revenue neutrality only through an array of gimmicks and extra counting. For starters, a large portion of the bill's corporate giveaways will supposedly expire after a few years. This subterfuge let Grassley and Baucus claim that the bill's new tax breaks will cost about \$90 billion less over 10 years than they will without the phony “sunsets.” Do these guys realize how hypocritical they look to criticize previous budget shenanigans and then engage in exactly the same practice themselves?

Of the \$180 billion in supposed “revenue offsets” in the Senate bill, \$50 billion comes from complying with a WTO ruling that a foolish tax subsidy for a few big American exporters violates our trade agreements—but why should ending an illegal subsidy be grounds for new corporate tax breaks? The remaining \$130 billion reflects what Baucus accurately describes as “measures which in themselves should be good public policy and we should pass anyway”—largely curbs on egregious corporate tax shelters that Congress never intended to allow. This is like the police catching a bank robber, but then donating the stolen money to the Bank Robbers' Retirement Fund and calling the whole thing “revenue neutral.”

In the House, even shadier practices are at work. To pretend that his bill is only \$34 billion in the hole over 10 years, Ways and Means Chairman Bill Thomas (R-Calif.) purports, among other things, to save \$127 billion from sham sunsets. If you want to be assured just how bogus those sunsets are, note that this year the House has blithely voted to extend some of the supposedly expiring Bush tax cuts, at a cost of almost \$600 billion over the next decade.

So anti-jobs corporate pork is about to trump a rational jobs policy. Oinkonomics?

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*Robert S. McIntyre is director of Citizens for Tax Justice.*