

Small Retailers pushed into Bankruptcy. US Government Subsidies to Chain Companies

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Small retailers the nation over are being pushed out of business by government subsidies to chain competitors such as Wal-Mart and Target through a variety of "corporate socialism" schemes, taxation authority David Cay Johnston says.

Municipalities are permitting "tax increment financing" that allow the big chains "to keep the sales taxes that you are forced to pay at the tax register," Johnston said on the television interview program "Books of Our Time," sponsored by the Massachusetts School of Law at Andover and broadcast by Comcast.

"Instead of that money going to the schools and the fire department and the police department and the library, it is funneled through a mechanism of local government, usually a special authority, to finance the purchase of municipal bonds so that means that the wealthy underwriters and the lawyers and auditors all get a piece of this money to buy the land and build the store," Johnson told TV host Lawrence Velvel, dean of the law school.

The store is then leased to the big chain developer "at terms that amount to giving it to them for free or nearly free over a period of time," Johnston said, "and it's destroying local business." An amazing aspect of this "corporate socialism" policy, Johnston says, "is that local business owners have not risen up and stopped this."

"A system in which government, whether Federal or local, picks the winners in the economy, is not capitalism, it's not competition, it's not free market, it is corporate socialism, it is statism, it's the state making these choices," Johnston said.

In his new book, "Free Lunch"(Portfolio) Johnston amplifies this point by noting "Sam Walton practiced corporate socialism. As much as he could, he put the public's money to work for his benefit. Free land, long-term leases at below-market rates, pocketing sales taxes, even getting workers trained at government expense were among the ways Wal-Mart took every dollar of welfare it could get."

"Walton had a particular fondness for government-sponsored industrial revenue bonds," Johnston continued, "which cost him less in interest charges than the corporate bonds the market economy uses to raise money."

Johnston said in the television interview that if the public really understood what was happening they would not permit government subsidies to corporations to go forward.

Johnston pointed out: "Subsidies to retail cannot make us wealthier. Retail is at the end of

the economic line. If you want to subsidize things, first subsidize education, then subsidize basic research, then subsidize applied research and development and subsidize infrastructure—rails and canals and highways—and maybe in some cases manufacturing and mining to get something going. But the least bang for the buck, and often the negative bang for the buck, would be subsidizing retail. What’s happening is wealthy families, the richest families in America, are getting welfare and they apparently have no shame about this.”

Johnston points out government handouts for Wal-Mart “reduce the costs of competing in the market” and by soliciting the subsidies “Wal-Mart shifted some of the risks of its expansion onto the majority of Americans who are not regular Wal-Mart shoppers.”

He said the fortune Wal-Mart is reaping is no different from what other corporate players are getting. “We are transferring enormous amounts of money to corporations and wealthy individuals,” Johnston pointed out. For example, he said, “We gave Warren Buffett’s companies a hundred million dollar gift last year.” (Buffett’s firm has a two-thirds-billion-dollar, interest-free loan from our government for more than 28 year, Johnston notes. Similarly, Donald Trump benefits from a tax enacted to help the elderly and the poor but part of which is now diverted to his casinos, Johnston says.)

“The incomes of the top one percent are exploding, are pulling away from everybody else,” Johnston said, “while the middle-class is stifling and the bottom is dropping out (of the economy).”

Author Johnston, for many years the tax reporter for The New York Times, has won a Pulitzer Prize and many other awards and uncovered so many tax dodges that he has been called the “de facto chief tax enforcement officer of the United States.”

The Massachusetts School of Law (MSL), sponsors of “Books Of Our Time,” is a non-profit institution dedicated to providing a quality, affordable legal education to minorities’, immigrants, and students from economically disadvantaged families who would otherwise not be able to attend law school and enter the legal profession.

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