

# US Spends Billions on Subsidies While Drowning in \$36 Trillion of Debt

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The U.S. Federal Reserve is seen in Washington in a file photo. Karen Bleier/AFP via Getty Images



By Anders Corr

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## Commentary

The United States is spending hundreds of billions of dollars on [subsidies](#), much of which is wasted on failed projects, those that never get off the ground, or are getting hasty payouts before President-elect [Donald Trump](#) takes office.

The Inflation Reduction Act of 2022 alone could cost taxpayers as much as \$1.8 trillion in tax subsidies, some of which will go to the oil and gas industry, which gets about [\\$35 billion](#) in tax breaks over the next decade. The Infrastructure Act of 2021 increased federal subsidies by almost \$550 billion.

Often, the subsidies do not make business sense. Cleveland Cliffs, the Ohio [steelmaker](#), has considered not accepting a \$500 million subsidy to get to produce low-emissions steel because, for example, most car buyers do not care enough about emissions deep in the vehicle's supply chains to pay more. So auto manufacturers do not want to pay that extra amount for "green steel."

Sometimes, the subsidies do not even make national security sense. The Chips Act includes over \$50 billion in [semiconductor](#) subsidies, including to [foreign companies](#). Samsung of South Korea and TSMC of Taiwan were offered \$6.4 billion and \$6.6 billion, respectively. Intel and Micron got \$8.5 billion and \$6.1 billion, respectively. Reportedly, Samsung cannot find a customer for its planned Texas facilities, Intel and Micron are balking at some of the contract details, and some of the companies want to do more chip production in China than the Biden administration wants to allow. Funding companies that, in turn, manufacture chips in China does indeed seem like worse than a waste of taxpayer dollars.

Yet the situation is complex. We need at least some domestic chip production in case of an emergency like a war over Taiwan. In that case, U.S. imports from that island democracy, where most of the fastest chips are produced, could be cut off.

One recent example of [meatpacking](#) subsidies is a chicken farm in Iowa that cost taxpayers up to \$45.6 million in subsidies and



guaranteed loans but filed for bankruptcy in September. That resulted in 1.3 million chickens slated to be culled and taxpayers on the hook to pay whatever loans the business defaulted upon. The entire program dispensed over \$300 million in subsidies and guaranteed loans for another \$700 million. Some companies that got the meatpacking subsidies never broke ground.

The point of the meatpacking subsidies was to provide opportunities for small farms and increase the depth of the market in case an emergency shuts down meatpackers, as happened during the pandemic. That sounds reasonable. But the other goal of the government pork was to increase competition with the big existing meat packers, which, through market mechanisms, had found an efficient scale of production to produce during good times, at least, such that their overall profit makes them survivors.

Is it really fair to subsidize new entrants when they will take away profits from these existing producers who made it on their own? Some of their shareholders are regular people, like retirees, who depend on company income for their livelihood.

On Nov. 5, the voters made clear that it's time for Washington to pay a lot more attention to basic economics. Removing subsidies is part of the electoral mandate, as Trump and Vice President-elect [JD Vance](#) took a stand against them during their campaigns.

Removing subsidies will help bring down the national debt, which is now approximately [\\$36 trillion](#), or more than \$100,000 for every man, woman, and child in the country. It is now so high as to risk further inflation, high interest rates, and a recession, not to mention damage to the global prestige of the dollar, which, if lost, could cause yet more inflation in a downward economic spiral. In 2020 and 2024, the final years of the first Trump and Biden administrations, the annual federal budget [deficit](#) reached \$3.1 trillion and \$1.8 trillion, respectively.

The current administration has a budget of approximately [\\$6.5 trillion](#). Trump wants to radically decrease the federal budget deficit and appears set to appoint Tesla CEO Elon Musk to do the job. Musk set the goal of cutting \$2 trillion from the budget by about 2030.

Federal subsidies are typically instituted when the problems they are meant to fix are in the news. But by the time payouts happen, those problems might already have been solved through market mechanisms. And governments are rarely known for their brilliant business acumen. So other than ensuring supply chains in times of emergency, subsidies should probably be discouraged going forward. On this matter, Team Trump is headed in the right direction with his plan for tariffs, not subsidies, for example, when it comes to encouraging U.S. production of computer chips. That cuts federal costs while simultaneously increasing government revenue, achieving national security policy goals, and developing domestic industry that will be critical in case of emergency.

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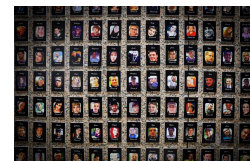


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