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**REFORMING CORPORATE WELFARE:  
TURNING THE SUGAR SUBSIDY INTO AN ECONOMIC  
EMPOWERMENT TOOL**

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## **Reforming Corporate Welfare**

### ***Turning the Sugar Subsidy Into An Economic Empowerment Tool***

#### **Introduction**

As we commemorate the 50<sup>th</sup> Anniversary of Dr. King's assassination and his "Poor People's Campaign," we wanted to look at some of the economic trends and challenges facing the underserved. In the process of this review, we came across several disturbing trends and outcomes. Over the last several years, many studies have been released which highlight the very difficult financial circumstances a large swath of the American public are living with and economic conditions even more dire for African Americans and other people of color.

Studies have shown that roughly 70% of people in the United States do not have access to \$1000 for an unexpected financial expense and 42% don't have even \$250 for such an expense. Furthermore, a recent study shows that Black wealth has not improved in the 50 years since Dr. King's assassination and still another suggests that by 2058 Black wealth will be zero.

To make matters worse, at a time when an investment in human capital could make a difference in stemming some of these economically disastrous trends, the federal government is running huge deficits and the national debt is soaring but with little to none of the borrowed money being invested in improving the economic condition of the vast majority of the citizens of this country.

According to a recent CBO report, at current rates, the U.S. debt will be at 95% of GDP by 2028. While at the same time corporate profits are at an all-time high. As a group our elected officials are squandering our wealth. Our government is running up huge deficits to the benefit of some but investing very little in the most basic but certainly vital areas such as our infrastructure.



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Our roads and bridges consistently get Ds and Fs for their quality, our electric grid is outdated and in need of modernization, and the upgrade of our air traffic control system is several decades behind schedule.

In the meantime, corporations, who are flushed with cash and experiencing record profits, are receiving taxpayer subsidies and credits. Paradoxically, at the same time lawmakers are looking to limit access to food stamps. Data from 2006, showed that \$59 billion was spent on traditional social welfare programs, while \$92 billion was spent on corporate subsidies. That year, the government gave roughly 50% more in corporate welfare to profitable companies than it did in food stamps to our poorest and most economically disadvantaged citizens.

A Cato institute study from 2012 showed that \$100 billion was handed out in corporate welfare annually. A partial list shows that:

- \$25 billion was handed out in Farm subsidies with the largest 15% of farm businesses getting 85% of the subsidies.
- \$6 billion was spent by USDA for rural subsidies to support everything from financial institutions, housing developments and others, including everything from car washes to clam harvesting.
- \$4 billion in energy subsidies

Beyond the unfair and wasteful aspects of corporate welfare is the fact that it helps corporations grow beyond their natural capabilities, while simultaneously creating uneven playing fields for small businesses who cannot logistically compete with a company that gets government handouts. This is exacerbated by the fact that SBA does not support small businesses with direct infusions of cash.

Additionally, many recipients of corporate welfare return the kindness of the US taxpayer by incorporating elsewhere to avoid paying taxes. In 2012, for example, Eaton (an Ohio company) received \$31.9 million in federal subsidies



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and turned around and incorporated in Ireland to avoid paying taxes in the US.

Further analysis shows that 2/3 of the \$68 billion in Federal tax credits and grants awarded between 2000 – 2015 went to 600 companies.



### **Why Sugar Subsidies Should Be Revisited**

There have been many studies and reports written on the sugar subsidy programs. As the subject has been well analyzed we will not attempt to reassess the program and in fact agree with many of the analysis. As has been stated, the US sugar industry receives enormous government support and protection from foreign competition. The program has changed over time, becoming a complex set of rules developed to promote sugar production primarily at the expense of US consumers. The program also has an effect on foreign producers and consumers that have significantly reduced the world sugar price. As a result of the program, the price of sugar in the US has been almost twice as high as the price of sugar on the world market. This has cost US consumers an average of about \$2.4 billion per year with producers benefitting by about \$1.4 billion per year. Therefore, the net cost of the income transfers to producers is \$1 billion per year.

The current Sugar Subsidy is roughly \$1.2 billion, with consumers paying about 3.5 billion more each year in artificially inflated prices for commodities that use sugar, including baked goods, beverages, candy, cereal, dairy products, snack foods, and hundreds of other products. The program has





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## Investing in Human Capital

Unemployment is at historic lows, but the black community and other communities of color are not benefitting from this trend. There are thousands of unfilled high wage trade jobs in this country and an equal number of unemployed or underemployed African Americans. The only thing standing between the jobs and job seekers is training, transportation, viable networks and a support structure. Case in point, there are tens of thousands of unfilled positions including, utility lineman jobs, paying close to if not over \$100k. The basic requirement is a CDL, which costs about \$3k to obtain. So, for every \$3k invested, you will generate \$100k of taxable income, thereby raising community income and wealth.

Additionally, there is a push to increase small business startups and entrepreneurship. But, as was said before, these businesses have a hard time finding capital and cannot compete with large subsidized companies. If loan or investment funds were created with this money instead, we could level the playing field and give new entrants a fighting chance.



## Proposed Solution

Entrepreneurship is the ability to connect resources to each other to solve a common problem or challenge. Entrepreneurs, industrialist and small business owners, are synonymous terms depending on your region or locality. There is commonality, of all those seeking to take a leap of faith to become their own boss. It's the entrepreneurial mindset that drives the nation's economy. It's gritty, and unfortunately only the connected typically survive.



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Initiatives and programs are opportunities to impact various outputs of domains that create entrepreneurial ecosystems. Our nation's most treasured assets are its diverse people and their cultures. To increase productivity, we must provide every opportunity to those willing and able to be entrepreneurs and small business owners. The "network" of opportunity is disjointed and only the connected are benefitting from record gains in the stock market and increased home values.

Communities of color are not reaping the awards of the connected, further exacerbating the country's ability to maintain our rank as a global leader. Our collective response must be robust, responsive and all-inclusive for every citizen who dwells within our nation. It's a national economic and moral imperative to create a system that empowers all communities to thrive, and that taps into our diverse cultural that may yield opportunity and innovation. A dormant economy will stifle innovation and threaten our global competitiveness.

Solutions to provide prosperity to the underserved are subjective. However, data from Treasury's now sunset [State Small Business Credit Initiative \(SSBCI\)](#) suggest otherwise. The SSBCI created from the Small Business Jobs Act of 2010 allocated \$1.5 billion of federal funds to create flexible credit tools for each state and territory. The defunct program shut its doors in fall 2017 as it was only created as one-time stimulus initiative to inject capital into market street.

This place-based initiative deployed over 98 percent of federal funds to leverage 10x (as of SSBCI sunset date of September 2017) of private match across the nation. The program created a community of practice that continues to share knowledge and fosters a peer-to-peer network that thrives today by deploying recycled funds. Although the program was not considered a social impact initiative, it successfully allocated 43% of its funds to LMI communities. It created a national platform for collaborating with other federal agencies that encouraged silo-bursting and created a shared-vision in



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response to tackling the barriers that plague the underserved. This experiment of decentralizing federal funds and providing state economic agencies the opportunity to design programs and deploy capital is successful.

Almost all SSBCI -originated programs still exist and continue to provide flexible credit to small business owners across the country. This community or networks exist and can be activated immediately. With congressional support the model could be repositioned to support all marginalized communities including minorities, women and rural populations.

The All-Inclusive Communities (addendum 1) picks up where the SSBCI left off and aims to further connect resources for the underserved populations. In preparing the black community and other communities of color for the next industrial revolution we must rethink how resources are deployed at the local, state, region and national levels. The All-Inclusive Communities is a systematic approach that connects all domains and resources (private and public) to create viable hubs and/or ecosystems of excellence. The innovative approach is viewed favorably with state and local policy makers. The model is driven by state and local jurisdictions and can easily pivot when market conditions change. It's agile and responsive - a ideal solution to impact marginalized communities' ability to access the required resources to thrive in todays' and tomorrows economy.

It's important to remember the innovation economy is today not tomorrow. We must provide the support and resources to the marginalized communities as they are the leaders for tomorrow and connect them with tools for success. It is our belief that disruptive technology will further enhance the gap of opportunity for the black community. The All-Inclusive communities will leverage technology, all its benefits and will aim to be the great equalizer for all communities. The All-Inclusive model can connect school children, and those sitting on sidelines in rural and urban communities to the required resources to participate in the new economy.



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## Conclusion

While reforming the sugar support system alone will not solve the corporate welfare problem, it will be a good first step and set a precedent for weaning corporations from their dependence on government help. By reallocating the funds from sugar subsidies to the All-Inclusive Initiative we organically rebuild our economy from within and connect and distribute resources to those who will lead our nation into a shared economy and fourth industrial revolution.

