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The British Corporate Welfare State: Public Provision for Private Businesses.

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Introduction: the corporate welfare state

When William Beveridge put together the blueprint for the modern welfare state, he argued that it would protect citizens from cradle to grave: insuring them against ill health and old age, preparing them for work, and providing for them when they were out of work. One of the key purposes of the welfare state was to improve the plight of the poorest and most vulnerable in society – but what has often been forgotten in subsequent debates is that the welfare state was never exclusively about the poor; nor was it even exclusively about citizens. Beveridge maintained that the welfare state was important to stronger economic growth and industrial development. Thus, whilst the focus of debate surrounding the welfare state today tends to be on (poor and undeserving) citizens, in reality, the needs and interests of private businesses were central to its creation and evolution and business has become more, not less, firmly embedded in the core concerns of all departments of government as public and social policies have matured. Looking further back, Marx wrote of the socialisation of production which would accompany the maturation of capitalism and of the various ways in which governments operate to satisfy the systemic needs of capital (for a discussion see Wetherley, 2005). Others have developed these ideas in order to highlight the on-going tensions between the role of the welfare state in aiding private capital and its role in maintaining and supporting labour (see, for example, O'Connor, 1973; Gough, 1979; Offe, 1983; and from a very different ideological tradition, Lindblom, 1977). Similar views have also been expressed by those who are lauded by free market liberals, most notably, Adam Smith, who laid out the responsibilities and limitations of the state within the first volume of *The Wealth of Nations* as follows:

After the public institutions and public works necessary for the defence of the society, and for the administration of justice . . . the other works and institutions of this kind are chiefly those for facilitating the commerce of the society, and those for promoting the instruction of the people (Smith, 2003).

Adam Smith recognised that effective and relatively comprehensive public policies were essential if private businesses were to be able to 'do' business. Only governments could establish the financial, legal, social and physical infrastructure necessary to facilitate private ownership, production and private for-profit services. And as capitalism developed, so the need for more involved and effective government and governance has increased. As Jacob Hacker (1982) put it in relation to the development of the US state:

In the decades since [the Great Depression] programs have been created to help virtually every major industry in the United States - transportation, housing, agriculture, shipping, scientific research and even the arts.

More recently, in 2012, the World Economic Forum, an organisation that is more commonly associated with big business than big government, made a very strong case within the pages of its *World Competitive Report*, that productive, competitive and efficient businesses require comprehensive welfare states alongside effective governance structures (see below).

The more closely we examine the public sector within the most successful economies, the more apparent it becomes that public services and the whole welfare state is as much about private businesses as it is about guaranteeing the wellbeing of citizens. Subsidies and grants have enabled businesses to and continue to expand, invest and make profit when the 'free' market has tested them to the verge of extinction. Governments and, by extension, taxpayers, have contributed heavily towards the costs of research and development as well as investment in new plant and machinery (see also Mazzucato, 2013). Governments have also facilitated and supported business investment in new regions, helped them to develop new technologies, provided infrastructure, helped them overcome local opposition and planning and other barriers to expansion. Government ministers and other senior members of the state, including the military and members of the royal family, have helped businesses to expand and sell their products abroad. Businesses also depend heavily on publicly-subsidised road, rail, shipping and air transport systems and many draw on centrally funded advice and state insurance services. Education and training services have helped to ensure that workers have the skills and qualities demanded by employers. The National Health Service has helped to ensure that workers remain healthy and productive. In-work benefits have effectively subsidised employers' wage costs. And on top of all this, governments are major consumers of private sector goods and services.

The net effect of such interventions is to socialise business risks and, ultimately, profits. Publicly-funded benefits and services that are aimed at meeting the needs and/or wants of private businesses is a key part of what governments do and have always done. Corporate welfare underpins capitalist economies and many of the most successful private companies owe their success to it, although not all companies need corporate welfare in the exact same quantity and form, nor do they depend on it to the same extent throughout their 'life course'.

Of course, private businesses also bring essential benefits to citizens and governments. They provide jobs. They contribute to the costs of the state through taxation on profits, and through the wages they pay to their employees. And, just as businesses extract benefits from social welfare, citizens extract benefits from corporate welfare. Such realities, argue commentators from diverse theoretical backgrounds, such as Poulantzas (1973) and Lindblom (1977), ensure that governments continually privilege the needs and interests of businesses.

In some key ways, social welfare and corporate welfare are related and symbiotic, although the extent to which they are compatible and complementary depends on how they are configured and provided. Delivered in one way, corporate welfare may underpin stable employment markets, reduce the cost of essential goods and services and encourage more positive and more sustainable business activities. Subsidies and grants can encourage business investment and new jobs in deprived areas. It can also ensure that essential goods and services are readily accessible to citizens. Conversely, a lack of government support can lead to economic deprivation, long-term unemployment and poverty with all the attendant educational and health problems. In such instances, governments may face a trade-off between providing for businesses or supporting individuals through the social welfare system.

Delivered in another way, corporate welfare may facilitate and reward harmful business practices, divert resources to companies that assiduously avoid tax, harm the environment, exploit workers or undermine the viability of smaller and/or more responsible businesses. It is important, therefore, to ensure that corporate welfare is provided in such a way that it helps to encourage and reward responsible business behaviour and promote social justice. And the first duty of welfare claimants, as various government ministers have been at pains to stress since the birth of the modern state, is to ensure that their activities do not undermine and imperil the whole welfare system. Most importantly, corporations must make a full and fair contribution to the costs of public and social policies through taxation and must pay workers decent wages in safe environments so that they do not impose costs on the state and citizen-taxpayers more generally.

A full debate about the ways in which corporate welfare might be provided and funded in more efficient and equitable ways is essential. Despite the importance of corporate welfare, however, it is, with very few exceptions, rarely acknowledged and discussed. Some very specific forms of assistance have made it onto the political agenda in recent years, including agricultural and rail subsidies, industrial subsidies, regional development aid, government assistance to technology companies, state support for the defence industry, the oil industry, the pharmaceutical industry and the huge costs associated with bailing out the banks and auto industry during the recent global financial crisis (on these various support measures see O'Brien, 1997; Mazzucato, 2013; Cresc, 2013; Ingram and Ingram, 2003; SIPRI, 2011; Simms, 2003, Lawrence, 2005; Gagnon and Lexchin, 2008: 1-6). But, no study has yet documented and estimated the value of the full range of such provision to business in general and to specific businesses in the UK.

It is important not just to investigate how corporations benefit from public provision, but also how such provision affects the behaviour, strategies and outlook of those same businesses. And it is important to ask questions about the benefits that businesses receive and their contribution towards meeting the costs of public provision. The most pressing task is to conceptualise, document and account for the extent of corporate welfare in the UK. This is even more pressing during these times of austerity. But this is also a complex task, made even more difficult by the fact that any attempt to do so runs up against entrenched interests and runs counter to prevalent discourse.

This paper represents the first comprehensive study of British corporate welfare. As might be expected from such an ambitious undertaking, gaps and questions remain. But this is an important start. The following two sections discuss the recent context of corporate welfare in the UK and examine in more detail the relationship between corporate and social welfare. The main section of the paper then goes through the key forms of provision and estimates their annual cost to British taxpayers.

This paper forms part of a wider project which seeks to investigate and increase the transparency surrounding corporate welfare.

See www.corporate-welfare-watch.org.uk

Government to the rescue: the crisis, the bailouts and the re-configuration of public policy

The 2007-2008 global economic crisis saw governments around the world intervening on a massive scale to rescue their banks and other key industries. The scale of the support was shocking, not just because of its size, but also because it occurred during a period in which national governments, international governmental organisations and international and national business associations vigorously extolled the virtues of freely operating markets.

The cost and level of exposure absorbed by the UK and other governments as they tried to rescue their banks is almost unimaginable in scale. The government put in place guarantees for some banks and effectively promised to guarantee the rest. It nationalised Northern Rock, Royal Bank of Scotland and the Lloyds group. Putting to one side the cost of these interventions, which I will discuss later, there is nothing new or exceptional about state intervention to assist private businesses. Running counter to the dominant neoliberal rhetoric from the 1980s onwards that suggested that private businesses could be more competitive, more entrepreneurial, and more profitable if governments got out of the way (to paraphrase Ronald Reagan), the reality is that, throughout this period, every Western government intervened heavily to support private businesses just as they have throughout the period of modern capitalism. No major economy has ever left their businesses to truly 'go it alone' (Rodrik, 2010).

This is not to suggest that nothing changed during the 1980s and 1990s. Trade liberalisation, economic integration (especially within the EU) and the greater mobility of businesses that defined the period of economic globalisation from the 1970s challenged previous policies — most notably subsidies and tariff controls — through which governments protected their own economies and national businesses from competition abroad. The imposition of tariffs on goods from abroad has been dramatically reduced (although they are still imposed in certain markets and by some governments), and the value of the most direct subsidies to businesses appear to have fallen. However, even in such times, governments have successfully found other ways of supporting and assisting private businesses. In the UK, since the 1970s, public services have been comprehensively reconfigured so that the needs of businesses, or at least certain types of businesses, have become more, rather than less, important in public policy. Successive governments have continued to provide direct and indirect assistance to private businesses, often in the name of the broader public interest. Many forms of assistance are presently hidden and unaccounted for. The pressures on governments to provide such support are numerous and the political stakes are high as Vince Cable, then Business Secretary, made clear in 2011:

[Haribo's is] a factory that would probably have closed down and moved somewhere else, but because of the additional investment we are willing to make, through a project on the same site, both have been safeguarded and expanded. So we are safeguarding over 500 jobs and creating almost 300 new ones (Tyler, 2011).

The benefits to the company are clear, but there are also real benefits to those employees that may retain their jobs, not to mention other businesses in the area. Michael Heseltine (2012) called for an increase in such active strategies in his report on 'industrial policy', commissioned by the government in 2013, arguing that governments have no choice but to provide various benefits to companies if they are to retain existing investment or attract new investment:

The nation state in pursuit of growth is subject to disciplines that are unavoidable – footloose capital, the world market, world opportunities. Unless we make it worthwhile for footloose capital to come here, it won't (Heseltine, cited in Elliott, 2013).

The various corporate welfare programmes that they might put into place in order to attract footloose capital may represent good value for money if they create jobs and add to sustainable growth in future. But, in contrast to social welfare benefits, there are few guarantees and few conditions placed on public assistance when it is given to private businesses. There is also a distinct lack of transparency. The problem was well summarised by Alan Simpson, MP, back in 1999:

Once [it] has been approved - in a process that takes place well away from the public eye - there is no procedure that might allow the public to raise any questions about the grant [to business] before it is released. . . To this day, no one knows for certain how much John Major's government doled out to Siemens, the German electronics giant, in development grants, infrastructure subsidies and the like for its semi-conductor plant on North Tyneside which the company closed in July 1998 - although a sum of £200 million would appear close to the mark. . . . Its closure, following the collapse of the worldwide semi-conductor market, means that the £200 million, which might otherwise have been spent on creating or securing other jobs in the region, has effectively gone down the tube (Alan Simpson MP, 1999).

Not much has changed in the intervening period. A lack of transparency and accountability in the cost and allocation of corporate welfare is a real problem. The OFT in 2004 acknowledged that subsidies data 'do not present a clear view of the total amount of subsidy provided by the public sector to private business'. In 2011, a number of MPs complained about the lack of transparency and accountability in the allocation of the Regional Growth Fund.¹ In October 2015, Jim Cunningham MP asked the Secretary of State about the cost of business grants and other support but was told that "The Department's finance systems do not hold data on government support to business".² This is despite the fact that BIS has provided other details of specific grants in response to Freedom of Information Requests (which we will return to later).

There is also a problem relating to the 'duties' of the recipients of public funds:

Five months after AstraZeneca thanked the local MP [George Osborne] for his support in receiving a £5m government grant to develop its R&D centre at Alderley Park, the pharmaceutical giant announced it was closing down the facility with a loss of 2,150 jobs.³

Interestingly, the redundant site has subsequently been rescued with further public investment of £10m from Cheshire East Council and Manchester Science Partnerships (made up of Brentwood, Salford and Manchester Councils, the University of Manchester, and Manchester Metropolitan University).³ The initial pledge of £5m of public money therefore doubled in eighteen months.

Despite the range of benefits that they clearly extract from government, the business community itself is reluctant to accept that it extracts much of any value from the state. Common complaints from organisations such as the CBI and the Chambers of Commerce, are that business taxes in the UK are too high when compared with other nations. Public and social policies are often criticised on the basis that they either do not meet the needs of employers, or that the costs they impose are too high. Regulations – or ‘red tape’ to use a term favoured by some – are condemned on the basis that they undermine entrepreneurialism, innovation and profits. Thus, two years prior to the massive state bailout of Northern Rock Bank, Matt Ridley, CEO of the bank at the time, wrote:

In all times and in all places there has been too much government ...
[T]he more we limit the growth of government, the better off we will all be (Ridley, 2006).

That same year, Nicholas Goodison, then Chairman of the London Stock Exchange, argued that there had to be:

Continuous assessment of the value of regulations . . . to make sure that they are not driving business away or reducing competition or damping innovation. Regulators must be prepared for coping with serious risks that might damage London’s reputation. . . Competition law and practice must keep up with the fast-changing scene.

No surprise, then, that Gordon Brown, who was Chancellor of the Exchequer at the time, admitted in 2011 that in the years leading up to the crisis he had been under

relentless pressure from the City [which argued] that we were over-regulating. The battle was not over whether we had regulated too little, the battle was between people who argued that we had regulated too much (Brown, 2011).

Few at the time predicted the huge costs that would eventually be imposed on the UK government as a result of these policies, although history teaches us that major government intervention is never far behind ‘liberated’ markets. No one at the time recognised the value of the ‘too big to fail’ subsidy that was (and still is) conferred on the major financial institutions. Instead, the financial industry, along with other powerful business interests, lobbied hard to press the government to scrap regulations and cut business taxes. Whilst some regulations may well impose costs that outweigh the benefits on individual businesses and society as a whole and should be reformed, banks such as Northern Rock clearly needed more robust and effective regulations to protect it (and its customers) from itself.

What business interests throughout history have consistently pushed for are policies that expand opportunities, reduce costs and socialise risks. And successive British governments over the past thirty years have obliged (Farnsworth, 2004a).

Responding positively to such demands, was a mistake, however, according to Chris Gibson-Smith, Goodison's successor as Head of the London Stock Exchange who stated:

It's not capitalism that has been the problem, but irresponsible governments and politicians who have allowed the financial system to explode by permitting the build-up of ludicrous amounts of debt and leverage.... No one ever said that free markets could or would be self-regulating. That's where people over the past few decades have got it wrong, and many are still in denial.⁴

What Gibson-Smith is implying here, albeit probably unintentionally, is that governments should listen less to narrow economic interests and act more in the broader (economic) interest. Not that this lesson was heeded by the Conservative-led coalition. The coalition government continued to put in place measures aimed at reducing regulations and 'red tape' in areas outside of finance with their 'one-in-two-out' promise when introducing any new regulations on business. A flavour of Conservative thinking on this which is certain to define the approach of the post-2015 government, was illustrated in the Foreword to a recent document encouraging new inward investment to the UK, written by David Cameron:

We are committed to making this the most open, welcoming, business-friendly country in the world. We've already cut our corporation tax to 21 per cent – the lowest of the six biggest EU economies. Next year we will cut it to 20 per cent, making it the lowest rate in the G7 and the G20. For those developing intellectual property here, we are lowering corporation tax further; to those investing in research and development, we are giving tax relief. . . . We are working to a long-term economic plan which is backing business, creating jobs . . . boosting infrastructure and delivering the skills for our young people that businesses need. [W]e have a large, highly-skilled labour force: more adults have completed higher education than anywhere else in Western Europe. . . . [And government support] continues as your business expands internationally, supporting foreign investors with the same range of services as any other UK-based company. . . . So our message is clear: if you want to invest, if you want to expand, if you want great incentives and an economy that's going from strength to strength, then come to the UK – our door is firmly open for business.⁵

Attracting new investment into the UK is an important role for government, but the method of competing for capital can risk undermining broader social and economic objectives. The UK has, over the past 30 years at least, tried to compete on the basis of low taxation, low labour costs and low regulations and other sweeteners that undermine social welfare and social justice. Over this period, public policies have increasingly been shaped so that they more directly meet the (perceived) needs of business. This has extended to the strategic purchasing and consumption of private sector goods and services. As Vince Cable put it in 2012:

[T]here is a role for government in . . . using procurement in a more

strategic way. . . . We don't want to become protectionist and nationalist in the way we buy things but we think we could do a lot more to promote British business through procurement (Vince Cable, 2012).

The above discussion raises four important questions. First, what is the most effective way of providing support to different businesses? Second, how can we ensure that these forms of support are compatible with wider social aims, including social justice? Third, how much does such support cost? Fourth, what should we expect from the business community and individual businesses in return?

Unfortunately, these questions are extremely difficult to address. As already noted, comprehensive analysis of the direct and indirect public benefits and services that satisfy the needs and/or preferences of private corporations is largely absent from academia, mainstream politics, the media and beyond. Huge gaps also exist in available data. The size of such support has been obfuscated by successive governments and only a tiny fraction of its total value is ever officially recorded. The remaining sections of the report seek to begin to address these complex questions by turning the spotlight towards corporate welfare.

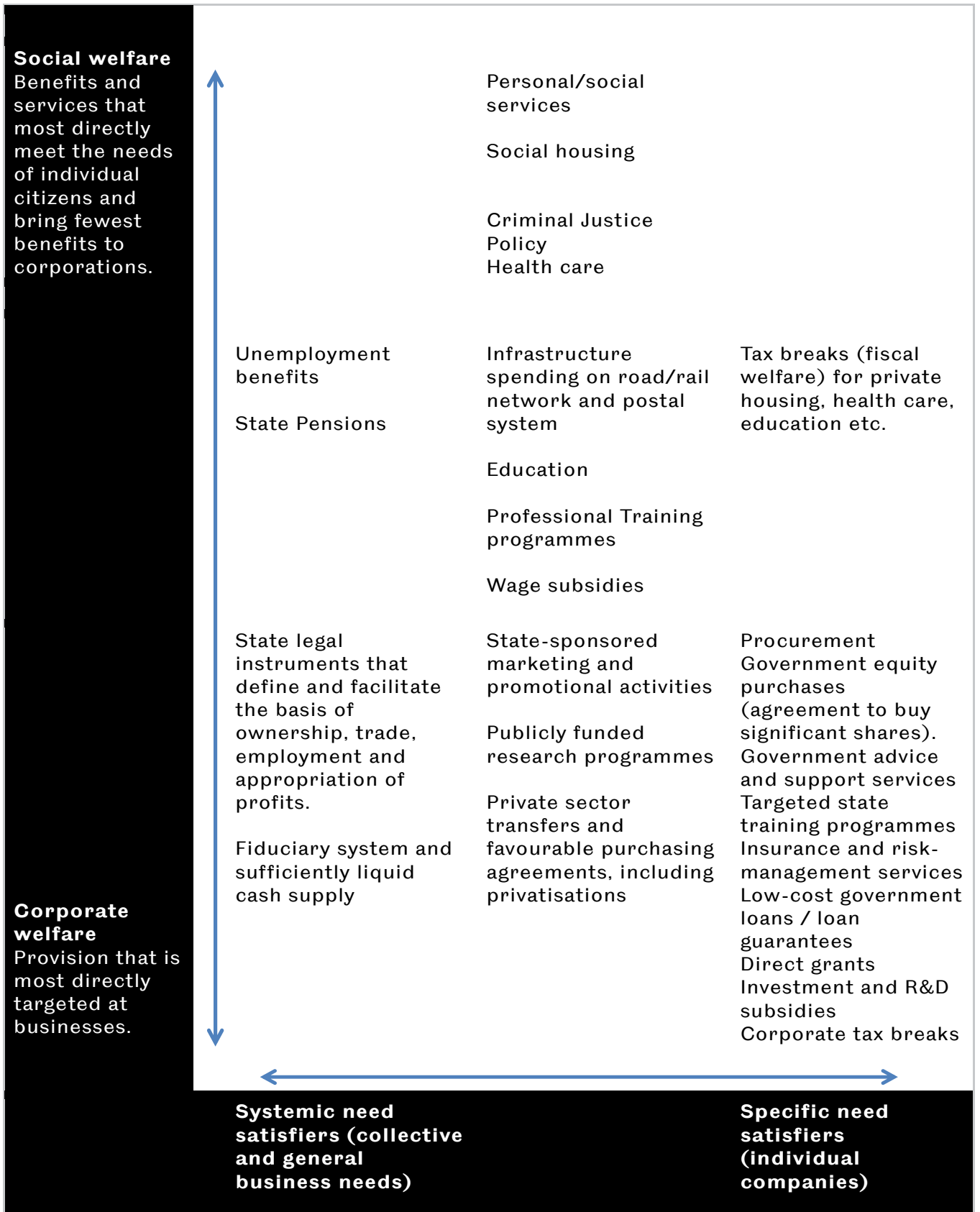
The corporate-social welfare continuum

The approach taken to corporate welfare in this paper is deliberately broad. Most importantly, corporate and social welfare are viewed, not in binary terms, where provision might be viewed as benefiting EITHER businesses OR citizens, but in more nuanced terms where different forms of state provision might bring simultaneous and multiple benefits to individuals and corporations. The welfare continuum presented here captures the various ways in which public services benefit citizens and private businesses. Provision towards the top of Figure 1 might be said to most directly meet the needs of citizens; provision towards the bottom most directly meets the needs of business. And various forms of provision might bring indirect benefits to businesses.

A further distinction in the continuum is made between the satisfaction of general and specific business needs. For this reason, Figure 1 contains a second, horizontal, continuum that situates benefits and services that satisfy 'general' business needs towards the left (such benefits might be summed up as those forms of provision that operate to facilitate the smooth operation of the economy) and those that might bring more specific benefits to individual companies towards the right (such provision may bring huge benefits to certain sectors or certain companies, but bring relatively few general benefits to business as a whole). Schooling, for instance, brings general benefits, but university software engineering courses will provide much higher benefits to specific high-tech companies.

The following sections examine a selection of the costs of some of the key forms of corporate welfare in the UK.

Figure 1: The corporate-social welfare continuum



The size of the British corporate welfare state: a summary

This paper takes 2012-13 — the most recent with a near-complete set of data — as its snapshot year. The 2012-13 data is also less distorted by the effects of the post-2008 economic crisis as some previous years and so is more likely to represent corporate welfare in ‘normal’ times. Where possible, data spanning several years is provided for context.

The paper makes use of a range of data, including official and non-official data and my own estimates alongside authoritative estimates offered by others. This result is an overall estimate of the major costs of the various components of British corporate welfare to taxpayers and/or their value to British businesses as indicated in the text below. The estimate is broken down into its different component parts and three different clusters, or categories, of corporate welfare are identified.

The most direct category of corporate welfare (consisting of ‘official’ subsidies, capital grants, tax benefits, hidden transport subsidies, insurance and advocacy, additional energy subsidies and procurement subsidies) are estimated to be worth around £93bn per year. More indirect benefits, including some associated with the social welfare state — wage subsidies, education and public health care — confer important indirect benefits to businesses that are estimated to be worth £52bn. And the annual legacy costs of the 2008 bank bailouts and other crisis measures add a further £35bn. If all the component parts are added together, the overall estimate of corporate welfare would be around £180bn per year.

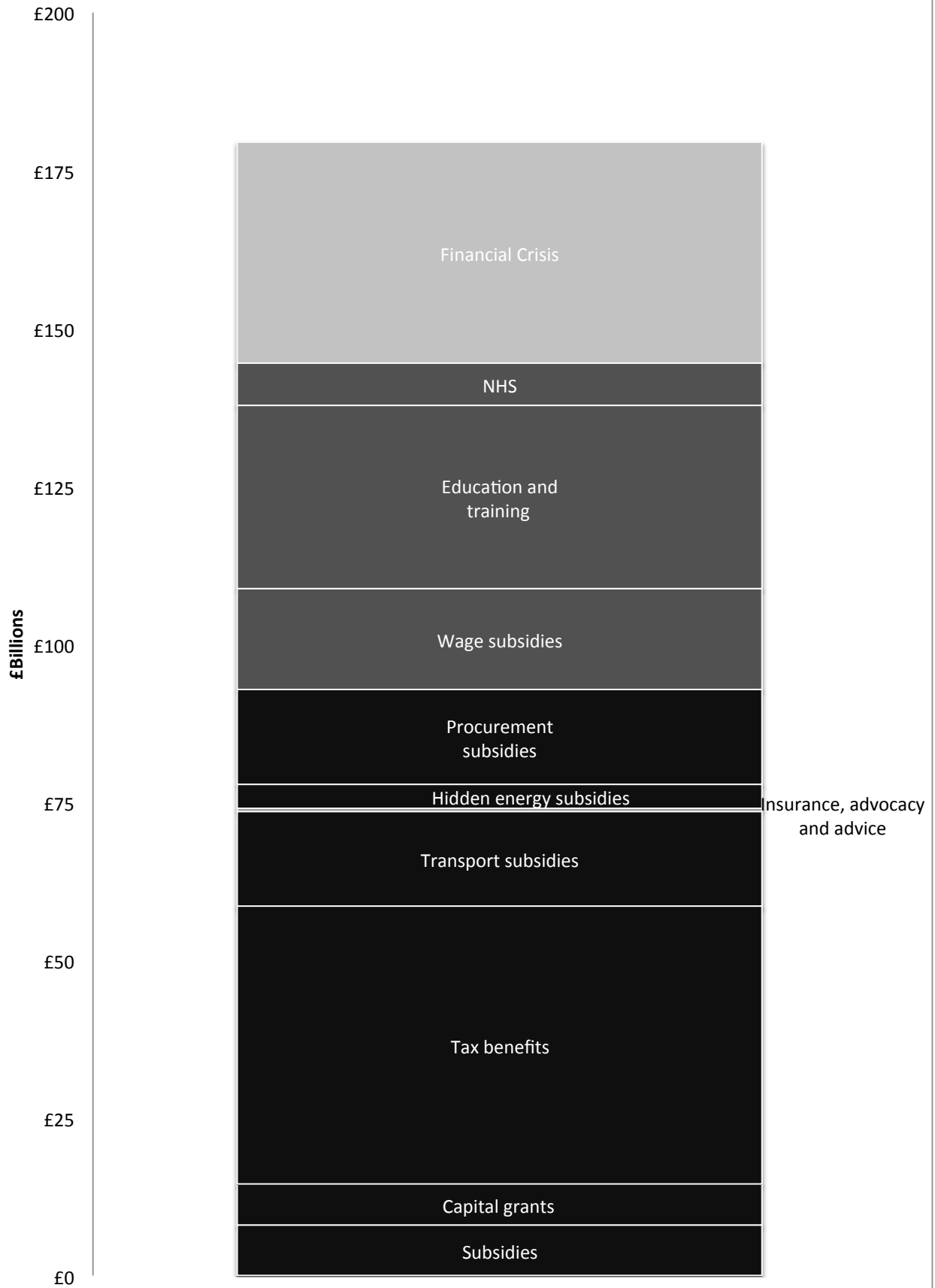
These are all conservative estimates. They exclude other forms of support identified in the welfare continuum — including legal and regulatory instruments, the system of money, the right to hire and fire and the right to trade — because the business benefits are simply too difficult to separate out. The general costs of the state and administration costs are also excluded for the most part for the same reason.

Some will question the size and veracity of the estimates offered here. If the inclusion of certain categories of expenditure appear to go beyond what the reader feels is appropriate, it is possible to pick-out certain benefits or services and narrow the focus somewhat. But however we split the costs of corporate welfare — even if we include within the focus only direct subsidies and grants to private companies as the minimum core corporate benefits — we would have a figure that is far higher than the UK government spends on unemployment benefits!

These figures can also be contrasted with corporate income tax contributions of around £42bn in 2012-13. If we add employers National Insurance contributions to corporate income tax, this would still amount to little more than £100bn, considerably smaller than the value of corporate welfare if we include direct and indirect provision. On top of this, corporate tax avoidance (legal avoidance rather than evasion) costs the exchequer £12bn per year.

These are the general, macro-level costs. Future work will provide examples of the direct claims of individual corporate welfare beneficiaries, only a handful of which are included in this report.

Breakdown of corporate welfare



Accounting for corporate welfare

This next section of the paper maps out the major categories of corporate welfare in the UK. It highlights the costs of several forms of corporate welfare identified within the welfare continuum in the previous section, it is not possible to provide an estimate of all forms for reasons highlighted below. On this basis, the overall estimate of corporate welfare offered in this report underestimates its potential cost.

Within each category, it presents an estimate of the cost and/or value of the provision, providing the data and analysis that supports the figures outlined above. Costs primarily relate to the more direct and targeted forms of corporate welfare, but these are not always officially recorded and, where they are, they are not easy to navigate especially when it comes to examining awards to individual companies. In such cases I have put forward an estimate based on the value of provision to businesses rather than costs to government.

The source of the data used is indicated in the relevant sections below. The estimates draw on a combination of official government expenditure data alongside authoritative estimates and relevant methods as indicated in the relevant sections.

Whilst transparency within central government data has improved in recent years, there is a long way to go, especially in the area of corporate welfare. Inconsistencies and complexities surround the overall expenditure figures. A lack of transparency surrounds even the most obvious and direct forms of corporate welfare: subsidies and capital grants. The Whole of Government Accounts (COINS database) might prove to be useful in future but do not provide the level of clarity needed and, in any case, are not current enough — the latest release applies to 2010-11. The PESA accounts do provide usable data, but there are problems of inconsistencies over time and between levels of government. For instance, until recently, PESA had an expenditure category of “Grant Expenditure to the Private Sector and Abroad” only part of which consisted grants to private companies. This has been resolved in the post-2011 accounts, although ambiguities still surround local governmental grants and those allocated by Scotland and Wales (which are not recorded in the same way as England and do not appear to be fully represented in the national returns for UK data).

Bigger problems exist in the data when it comes to tracing the allocation of funding to individual companies. There are several sources of data: the EU collates and records grants to companies as part of the rules governing State Aid; various governmental bodies, including those involved in the distribution of regional aid, often disclose where they have provided support, although this is by no means consistent. The Department of Business, Innovation and Skills for England, the Scotland Government and Welsh Assembly have disclosed grant allocations in the past, although again there is little consistency in the range and size of grants that are declared. None of these recording mechanisms is clear, transparent and adequate. EU data, meanwhile, which is supposed to detail instances of state aid within the European Commission is extremely difficult to navigate - much of the data is buried within The DG for Competition's *Journal* and only the most detailed search within the documents will reveal anything about the potential costs of state assistance to individual companies. In many cases, it is impossible to

know whether a disclosure of the intention by government to fund a particular company is actually carried out. Even then, provision to individual companies is often hidden within regional development grants.

Where data is provided by the UK government or the European Commission, it often takes the form of PDF documents rather than in raw data form. This is in contravention of the government's own guidance on transparency.

Future work will dig deeper into this data, which will be released in due course.⁶ By way of illustration of the veil of opacity surrounding corporate welfare, of the regional development agencies who were responsible for allocating grants to private companies up until 2012, only one former RDA – for North West England – provides detailed data on the grants it allocated, and this only from 2009-2011.⁷ A freedom of information request filed in 2013 to BIS inquiring about government subsidies paid to Sainsbury's revealed that the company received £1m from the North West RDA between 2009-2010 to help build a 'Human Resource Technical Centre' in Manchester. However, the available archive data from the organisation, which as already noted stands out as being the most transparent of all the RDAs, only goes as far back as 2010 and so acknowledges an award of only £300,000 to the company.⁸ Even more importantly, no further record of this allocation could be found in any other disclosure, including the European State Aid Register. This is not unusual but it does give some insight into the many obstacles and difficulties surrounding investigation in this whole area.

Despite the barriers, the methods and scrutiny employed in this paper do facilitate a thorough examination of the size of the British corporate welfare state. This paper presents its findings under the following categories: subsidies and grants; tax benefits; tax avoidance; road infrastructure; state insurances services; advocacy, marketing and advice services; procurement; benefits from the social welfare system, including employment-linked benefits, the NHS, education and training; and, lastly, the costs associated with the post-2008 banking crisis.

Subsidies and grants: £14.5bn

Subsidies and grants provide the most obvious forms of direct support to businesses. Subsidies, defined as current unrequited transfers to trading businesses provided in order to influence production or prices, help to boost sales, turnover and, consequently, the profitability of recipient businesses. They might also reduce the costs and/or risks associated with new forms of investment or new research and development, sometimes guaranteeing healthy returns to private companies on their investments. Subsidies to agriculture, the train operators, nuclear industry and defence industry are all examples. On top of this, capital grants are provided to businesses to induce them to invest or prevent them from collapsing (although interventions in this area are subject to European State Aid rules). Capital grants operate to reduce the costs and/or risks of new investment and also operate to incentivise new investment in a region. The government also purchases equity in companies periodically in order to prevent them from going bust (as they did with some banks in 2008) or to provide support that would be unavailable or too expensive to obtain in private markets. The UK government also operates as lender of last resort (where the private sector is unwilling or unable to lend or the cost of the loan would be prohibitive) and/or provides guarantees. In all instances, the risks are socialised.

Box 1: Support for business measures

Each year governments introduce new measures to help support businesses as previous initiatives are scrapped. Whilst the Regional Development Authorities were wound up in 2012, a number of new initiatives have sprung up over the past three years including:

- A commitment to guarantee £4bn worth of loans through the Enterprise Finance Guarantee.
- Funding of £1.4bn in 2011-12 to support businesses through the Regional Growth fund
- £250m to “compensate energy intensive industries at risk of carbon leakage for costs they face due to carbon emissions regulations”
- £125m to improve the global competitiveness of English-based advanced manufacturing
- £852m for business creation and growth
- £44m to provide R&D support for new ventures
- £640m to ensuring ‘business success in an increasingly competitive world’.
- £2bn for the development of ‘Growth Deals’ within a Local Growth Fund
- £2bn to launch Local Enterprise Partnerships
- A new £191m Growth Accelerator aimed at SMEs (small and medium-sized enterprises)
- An extension of the Manufacturing Advice Service (MAS)
- A ReshoreUK initiative to encourage companies to relocate to the UK - £1.3m to allow SMEs to access coaching and advice services on better designed products through the Designing Demand initiative
- £16m for 2014/15 to support Knowledge Transfer Partnerships
- £3m to provide Innovation Vouchers to be used by SMEs to access innovation advice services
- £50m to support Smart Grants to be used by SMEs to engage in R&D projects

Sources: BIS Annual Reports 2010-11, 2011-12 and 2012-13; BIS evidence to the BIS Select Committee on Government Support for Business, 2014.

The range of assistance on offer to companies is extensive. The Department for Business, Innovation and Skills states on its website that:

Almost everything that BIS does – from investing in skills to making markets more dynamic and reducing regulation, and from promoting trade to boosting innovation and helping people start and grow a business – helps drive growth (<http://www.bis.gov.uk/about>).

Box 1 indicates some of business support initiatives announced between 2012-2014. We cannot determine from this list the total associated costs since there will inevitably be some double counting here. But what is clear from this list is the vast range of support provided to private businesses even during a period in which the coalition government aimed to simplify and reduce the number of available business support schemes.

The coalition government began its rationalisation programme with its decision to abolish the Regional Development Agencies and replace them with Local Enterprise Partnerships. The longer-term implications of this are not yet clear, not least because such forms of direct support have to be viewed alongside other, more indirect support as noted above. Such changes in policy again highlight the need for more work in this area to determine what constitutes value for money and the wider implications for businesses, citizens and other areas of government. One of the effects of the abolition of the RDAs, for instance, may have been to increase the burden on local authorities since, up until 2013-14 at least, local government expenditure on capital grants to private companies appears to have been increasing by around £1bn per year since the abolition of the RDAs in England.⁹

For an estimate of the value of subsidies and grants to private companies during the snapshot year, I have utilised data compiled within the annual Public Expenditure Statistical Analysis (PESA) report. PESA reports that in 2012-13, subsidies, plus capital grants, were worth £14.5bn (see Table 1).

Subsidies fell between 1980 and 1990, levelled off in the period immediately leading up to the crisis, and climbed again from 2008. Capital grants follow a similar trajectory, although the increase in the wake of the crisis was much higher as the government put in place measures to rescue certain companies and support new private sector investment. PESA data is again incomplete, however, since subsidies data appears to exclude Scotland and Wales, and capital grants expenditures exclude European Union Funding through the European Social Fund and the European Regional Development Fund.

Just as important as the aggregate value of subsidies and grants each year is the value of the claims made by individual corporations. Despite the problems of transparency regarding general data, the European Commission make available some data on the largest grants made by government's and declared under the State Aid rules (see Box 2). This data reveals that the average payout from large grants (in excess of one million pounds) to British companies between 2005-2011 was £13.8 million. Rolls-Royce was awarded £36m in 2010 alone. Although it isn't included in the State Aid register, Amazon, a company recently investigated by the Public Accounts Committee and the European Commission for its aggressive tax avoidance strategies, was provided with just shy of £20m of combined support from the Scottish and Welsh Governments (see Box 3 below).

Table 1: Subsidies and capital grants
(£billions)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Subsidies to private sector companies (All levels of government)	7.8	7.8	7.8	7.4	7.2	8.2	7.9	8.3	8.0	7.7
Capital grants to private sector companies	3.1	3.3	5.2	7.2	17.7	13.0	7.7	6.4	6.5	5.4
	10.9	11.1	13.0	14.6	24.9	21.2	15.6	14.7	14.5	13.1

Source: PESA 2010, PESA 2012 and PESA 2014: Tables 5.3 and 6.5

Box 2: Corporate welfare as company welfare

The UK government reported around £323m worth of 'large-scale' (in excess of £1m per company) support between 2005 and 2011 to the European Commission as follows:

- Rolls-Royce was awarded a total of £36 million in 2010 alone
- Airbus was awarded £28m by the Welsh Assembly in 2009 (and this is on top of the £1.9bn worth of export credit guarantees)
- Ford Motor Company was given £12m in 2005 and an additional £19.7m in 2008 to support its investment in Wales
- Toyoda Gosei, an engineering company, was also awarded £13.3m in 2009 to support new investment in Wales
- Zytec Automotive Technology was awarded £4.5m in 2009 by the Technology Strategy Board to support the building of a new electric car

Other companies to be awarded well in excess of £1m in aid included Nissan (awarded over £25m between 2005-2010), Hewlett Packard (awarded £7.3 in 2010), Dell Corporation (awarded £7.3m in 2005) and Vauxhall Motors (awarded £6.8m in 2006).

Source: http://ec.europa.eu/competition/state_aid/register/msf_2013.pdf

Corporate tax benefits: £44bn

Corporate tax benefits are an important but neglected mechanism through which the state delivers support to private businesses. Although they are seldom viewed as 'state benefits', in reality it makes no difference to final profits whether state assistance takes the form of direct cash provision or indirect tax benefits (Howard, 1999; Sinfield, 1978: 129-56; Titmuss, 1958.). And, according to one of the few comparative studies of tax benefits, carried out by the OECD in 2009, the UK has the most generous corporate tax benefits of the eight major economies it examined, including Germany, the US, Spain, Canada, Korea, the Netherlands and Sweden (OECD, 2009b).

The largest tax benefits provided by the UK government are capital allowances. These enable companies to write off investments in physical plant and machinery, vehicles, IT equipment and office equipment, against corporation tax. They were originally provided in recognition of the fact that the current 'assets'

of companies – in the form of existing plant and machinery – depreciate over time. Like subsidies, capital allowances effectively socialise the risks associated with private business investment. In most circumstances, the full value of depreciation can be claimed in the first year as accelerated depreciation. In such circumstances, a large part of the cost of the investment is effectively passed on to taxpayers whilst the value of the asset remains with the business.

The total cost to the taxpayer of capital allowances alone was £20bn in 2012-13. Adding other direct tax benefits, including tax breaks to support research and development, Enterprise Management Incentives, protection for return on capital cost, share incentive plans and venture capital trusts, and schemes to reduce inheritance tax on family businesses and agricultural businesses, adds £5bn. The construction industry also benefits from tax breaks on new housing and land duty relief. Whilst it is true that some citizens may also benefit from these benefits, of course, it is not at all clear how much of these benefits are actually passed onto consumers.

Table 2: Key Corporate Tax benefits

Form of relief	Cost (£), 2012-13
Capital Allowances	£20bn
Construction of new dwellings / Group land duty relief	£7.4bn
Finance and insurance VAT Exemptions	£5.0bn
Small profits reduced corporation tax rate	£2.2bn
Capital gains tax relief for entrepreneurs' qualifying business disposals	£1.7bn
VAT exemptions for gambling, ships, aircraft and commercial property	£2.9bn
Tied oils scheme (industrial relief scheme)	£1.4bn
R&D tax credits	£0.9bn
Capital gains relief for business and agricultural properties	£0.7bn
Enterprise investment incentives, management share incentives and Venture Capital Trust Allowances	£0.6bn
Other tax reliefs ¹⁰	£1.5bn
Total	£44bn

Source: HMRC, 2014, *Cost of principal tax expenditures and structural reliefs*; HMRC, 2014, *Minor tax expenditures and structural reliefs*

Transport subsidies: £15bn

A good, low cost and comprehensive road network is essential for individual businesses and the broader economy. Very few businesses could do without access to publicly-funded road and other transport networks. According to OECD data, the transportation of freight accounts for around one third of the total miles

covered on British roads each year.¹¹ Whilst businesses also contribute towards some of the associated costs, Better Transport (2014) calculates that the net 'benefit' to freight companies, after taking into account business road and fuel tax contributions, was around £5bn in 2014. This is after taking into account tax contributions, but it does not calculate the non-economic environmental and health costs associated with road freight. In addition to this, airline operators are provided with a range of unrecorded 'subsidies' by their governments. In common with industry practice, airlines do not pay corporate taxes on their 'economic activity' within the countries they operate. But, more importantly, they do not pay taxation on aircraft fuel, nor is VAT charged on ticket sales. Even if we ignore the corporate tax break and the value of the VAT tax break, the value of the zero-tax-rate subsidy alone is worth around £8.5bn per year.¹²

Private bus and train operators also receive state support, worth in excess of £4.3bn in 2011 which is already captured in the subsidies section above. Private bus companies also received Bus Service Operator Grants. What is not captured in subsidy figures is the fact that train companies benefit from lower fuel duty rates, which are worth around £200m per year, plus the train companies are granted another hidden subsidy which results from the discounted rates levied by Network Rail. As research carried out by CRESC, at the University of Manchester, found:

Network Rail has been inflating the profits of the Train Operating Companies by lowering track access charges from £3.19 billion in 1994 to £1.59bn in 2012 (CRESC, 2013).

Even if we ignore the fact that that these figures are not inflation-proofed, this suggests at least an additional £1.6bn of hidden subsidies accrue to the private train operators. The figure would be much higher if we took into account inflation over this period.

This suggests that additional transport subsidies, beyond those already included in the subsidies estimate above, are worth around £15bn each year.

Energy subsidies: £3.8bn

Energy subsidies benefit providers and consumers of electricity, gas and oil. The majority of the subsidies provided to the energy companies are not, as a recent House of Commons Environmental Audit Committee report found, widely acknowledged.¹³ This report, completed in 2010, maintains that various policies, including subsidies for renewable technologies, reduced VAT rates and legacy nuclear costs (primarily the costs of post-production clean-up) amount to some £12bn each year. The data on subsidies presented above already includes some of the subsidies for renewables. Moreover, the VAT subsidies benefit consumers as well as producers (although, as the report makes clear, such provision is highly unusual in the UK compared to other countries. For these reasons, the estimate of the value of the renewables subsidy (£3bn is ignored). Included here are the legacy clean-up costs (£2.3bn) plus half the value of the VAT subsidy (£3.1bn) to provide a total amount of £3.8bn.

Insurance, advice and advocacy services: £406m

Insuring export risks

Another way in which governments help to socialise the risks associated with private markets and make up for market failure is in the area of insurance. Major environmental catastrophes, including recent major flooding events, require large-scale government interventions, putting in place measures that allow private insurers to recover from hefty pay-outs and share their risks. Without such interventions, citizens would be unable to purchase insurance and/or insurance companies would have to take on much higher risks. Because data on the value of such interventions is unavailable and/or extremely complex, they are excluded from the corporate welfare estimate offered here. What is included is an estimate of the costs of the Export Credit Guarantee (ECG) Scheme which effectively insures companies against the risks associated with trading abroad, especially in unstable and/or unpredictable markets. The multiple ways in which ECGs benefit companies was summarised by Bob Keen, Head of Government Relations at BAE systems, in 2011. He explained that the ECG scheme is essential to a company like BAE:

Many of our customers require it both from the perspective of straight-forward financing issues but also from the point of view of the extent to which it demonstrates the British Government's commitment to the deal that is being done. From BAE Systems' point of view we need it . . . be able to offer competitive packages . . . (Bob Keen, Head of Government Relations, BAE).¹⁴

To return to an earlier point, there is clearly no question that BAE would be better off if government simply 'got out of the way'. In addition to support from the ECGS, it is worth noting that BAE is one of the largest recipients of government grants.

The most recent annual report for UK Export Finance (UKEF, formerly the Export Credit Guarantee Department) states that it issued guarantees worth over £4.2bn in 2012-13 and had an accumulated annual exposure of £18bn. More than half of the guarantees it issued went to Airbus to support aircraft sales. BIS states that issuing such a guarantee to Airbus supports up to 3,000 UK companies within the Airbus supply chain. That same year, it took £96m in premiums and paid out £30m in claims. In other words, the ECGD made a notional 'profit' of £66m although as recently as 2008-9, it made a significant loss (the claims paid out exceeded insurance premiums by £6m). But whether it makes a profit or not, the department provides sizable subsidies to companies because the premiums charged are always below market rates. Ingram and Ingram (2003) estimate that credit guarantees represent an average saving to private companies that is equivalent to 1.25% of the sum insured when compared to the market rate. Thus, the hidden 'subsidy' in 2012-13 would have been worth some £225m to a relatively small number of companies. This excludes the costs of running the departments. Since it exists solely for the purpose of issuing export credits, it is also appropriate to include such costs which run to around £22m per year. This gives total benefits of some £250m per year.

One of the least recognised forms of support provided to businesses lies in the everyday efforts of governments to advise, defend and support private companies in various ways. UK Trade and Investment, for instance, exists to assist British businesses to trade internationally and to attract new investment (partly through grants and other incentives) in order to:

ensure [British business] success in international markets, and encourage the best overseas companies to look to the UK as their global partner of choice.¹⁵

UKTI provides examples of the forms of direct assistance it offers to exporting companies in its annual reports, including the defence industry:

In 2010, two major contracts, valued at over £1 billion, were placed by India. These were the sales of Hawk trainer aircraft by BAE Systems and AW101 VVIP helicopters by Agusta Westland. The conclusion of these contracts reflected the long-standing defence equipment relationship between the UK and India and the involvement of UKTI DSO [Defence and Security Organisation] in facilitating the necessary government-to-government understandings that underpin the sale, and in supporting the final discussions between the companies and the Indian Government (UKTI, 2010-11: 27).¹⁶

In addition to this, governments intervene directly to promote certain products or industries. Heads of State and other notables, including members of the Royal Family, military attachés, foreign ambassadors, and official dignitaries, have lobbied for large defence and other contracts on behalf of major companies. When he was Prime Minister, Tony Blair intervened personally to persuade the Indian and Saudi governments respectively to award lucrative defence contracts to BAE. And David Cameron has since pursued his own version of active corporate diplomacy by escorting senior business people on a number of foreign business trips. He defended the move vigorously:

I know some people think it is sort of grubby to mix money and diplomacy. Frankly, I couldn't disagree more. . . . So I will go on loading up aeroplanes with business people and taking them to the great markets of the world. Already I've done that with India, China, Russia, Turkey, South Africa, Nigeria, Mexico, Japan, Singapore, Indonesia and Malaysia, and I'm delighted at the news today about one of the big deals we were pursuing when I was in Malaysia.¹⁷

He added:

as these countries, particularly Japan, that have tended in the past to buy only American equipment are opening up, there are opportunities for people like Agusta Westland, who make [military] helicopters, who are on this plane.¹⁸

It is difficult to estimate the cost of these trips to the government and the value of them to businesses. However, UKTI do provide a breakdown of a range of services that are provided to businesses, from trade advisors to the development of Overseas Business Networks. The cost of these services alone was some £156m.¹⁹ This is a relatively small amount when compared with some of the other data presented here, but it may be hugely significant for the companies (and their workers) involved. Adding the value of insurance to advice and advocacy services reveals a total cost of **£406m** for these services.

Procurement: £15bn

There are good efficiency-based arguments for purchasing certain private sector goods and services where the public sector is unable to provide such goods and services itself. But successive governments since the 1980s have deliberately undermined the capacity of the public sector to produce many of the things it could reasonably, and efficiently, produce itself. A growing body of literature suggests that outsourcing represents poor value for money for taxpayers and, in fact, results in far higher costs in the medium to long-term (Crouch, 2011; Pollock, 2004; Whitfield, 2001). This is partly because the state faces a huge range of costs in drawing up contracts, monitoring projects, project overruns and picking up the pieces when private sector companies fail (such as G4S' role in the 2012 London Olympics). The government also has to pick up additional costs in benefit payments and/or tax credits paid to workers that either lose jobs or are paid less by companies taking over the functions of public services (Whitfield, 2011).

It is for these kinds of reasons that the UK's Office for Fair Trade identified procurement as a potential subsidy in 2004 (OFT, 2004). Similarly, the WTO's Agreement on Subsidies and Countervailing Measures states that a subsidy can exist where governments purchase goods in a way that confers benefits. The risk of this is higher where negotiations take place outside regular market conditions. This describes many forms of procurement and the various deals done with private firms under the Private Finance Initiative. The Campaign Against the Arms Trade similarly argues that procurement is a de-facto subsidy:

Procurement choices end up acting as a subsidy when weapons purchases are justified on the grounds of industrial and economic policy rather than in terms of military and security interests. This distortion became more evident in the post-cold war era (SIPRI, 2011).

Moreover, as the earlier quote from Vince Cable illustrates, in some instances it is clear that procurement expenditure is not even about getting value for money for taxpayers. Successive British governments since the 1980s have used procurement in various ways to support the evolution and development of private business and the procurement industry in particular (see Whitfield, 2001; Crouch, 2011). As a result, procurement expenditure increased by over 36% between 1996 and 2010, and almost all of this increase can be accounted for by increasing procurement expenditure within education, health and the Work Programme. The procurement, or 'public services industry' as it is sometimes called, has grown

to be one of the largest sectors of the economy (Julius, 2008). According to official figures, the government spent £238bn (or 33% of total expenditure) procuring goods and services from the private sector in 2013.²⁰

As already alluded to, it is difficult to estimate the corporate welfare element of procurement expenditure. We could take the whole amount of procurement expenditure. When governments purchase goods and services from the private sector they are directly boosting the profits of private companies, and such transactions take place outside of the regular market, meaning that the government often gets a worse deal. Some of the larger procurement companies trade primarily with the state. This is true of the major procurement companies in the UK — Capita, Atos, G4S and Serco — that comes from the public sector. Those four companies alone received £4bn worth of public sector contracts in 2012-13 with Serco being awarded £1.8bn of this (NAO, 2013b). Thus, procurement results in sales that may not otherwise occur, or if they didn't, would occur within competitive markets. On the other hand, to equate the whole procurement budget to corporate welfare would imply that the state is capable of producing everything it consumes, which it couldn't reasonably do.

Leaving to one side the fact the well documented problems of poor services, abandoned contracts and even fraud that some of the largest procurement firms have been accused of accounting malpractice and even fraud. The latest accusation to come to light relates to overcharging by Serco and G4S.

Given the above complexities, perhaps a better way of assessing the corporate welfare element of procurement is to examine the size of the 'subsidy' that stems from the fact that procurement transactions take place outside of competitive markets that are not subject to regular competitive practices. Examining a wide range of official and unofficial data, Whitfield (2001) concludes that the additional costs of outsourcing for the government (on top of the costs of providing services through the public sector) amounts to between 10% and 40% of the cost of outsourcing contracts. He also calculates that contractors make between 6% and 12% in profits on their contracts with the state which is potentially an additional cost that the state bears unless the procured services represent an equivalent saving which, for the above reasons, is unlikely. Thus, we can equate the profits made on procurement to corporate welfare, despite the fact that companies can easily disguise the size of their profits for the reasons outlined in the section on tax below.

The big four procurement companies recorded average profits of 6.5% per annum in the period leading up to 2012. Although profits since have fluctuated, especially in light of the accusations of fraud and malpractice alluded to above, this provides a reasonable indication of likely profits in the industry. Presently Serco is performing less well but Capita is going from strength to strength.^[ft] Given that these profits represent direct above-cost transfers of public money to private companies, often operating in non-market settings, this rate is used here as a proxy for the corporate welfare element of procurement expenditure. This would give an estimate for the corporate welfare element of procurement at £15bn per year (6.5% of £238bn).

Wage subsidies: £16bn

The above examples of corporate welfare have a direct impact on businesses' bottom line. But various 'social welfare' measures also make an enormous contribution to businesses. Unemployment benefits, for instance, maintain the unemployed during economic slowdowns so that they are in a position to take up employment when the economy recovers. They have also been increasingly used to encourage individuals back into work, helping to ensure that individuals are financially better off in work. In this way, in-work benefits transform a benefit that may meet some basic human needs but makes only a moderate broader economic contribution, to one that directly contributes towards business' bottom line but that may have negative consequences for employees. The risk, as Whitfield puts it, is that such policies "appear to support the working poor but they are de facto wage and income subsidies to employers" (Whitfield, 2001; see also the excellent recent study by CitizensUK, 2015). Put another way, employers can continue to pay low wages, safe in the knowledge that the wages of their employees will be supplemented by the government. Thus, whilst they might provide some employees with greater flexibility to work part-time, reduce poverty traps, and increase the incomes of those on the lowest incomes, they may also dampen wage rises at the bottom end and lock individuals into low pay. They may also reduce political pressure in support of a living wage. Certainly, in the US where such benefits have been around for longer, there is evidence to suggest that employers exploit the system, going as far as advising claimants on how to claim such benefits in order to lift their otherwise very low wages.²¹ The fact that tax credits are even used to top up the wages of low-paid workers without additional costs, such as family commitments, means that such benefits are as likely to lock workers, and also employers, into low pay as lift them out of poverty.

The number of employees that depend directly on state benefits is staggering:

- By 2012-13, spending in-work tax credits was around £20bn. The incomes of 5 million families were topped up in this way. Two-thirds of this was paid to families who earned less than £10,000 per year. Almost 20 percent went to families earning between £20,000 and £50,000.²⁰
- The costs of in-work tax credits have increased rapidly over the past ten years (see Figure 2a).
- Around 18% of all housing benefit claimants, a total of 903,000, were in employment in May 2012. Almost 20% were in work in 2013. The number of those in work claiming housing benefit increased by almost 418,000 or 86 percent between May 2009 and May 2012.²²
- The number of housing benefit claimants in work increased from just over 10 percent to 19 percent between 2008 and 2013 at a cost of £4.2bn (see Figure 2b).

Figure 2a: Working tax credits (WTC), child tax credits (CTC), 2003-04 - 2012-13

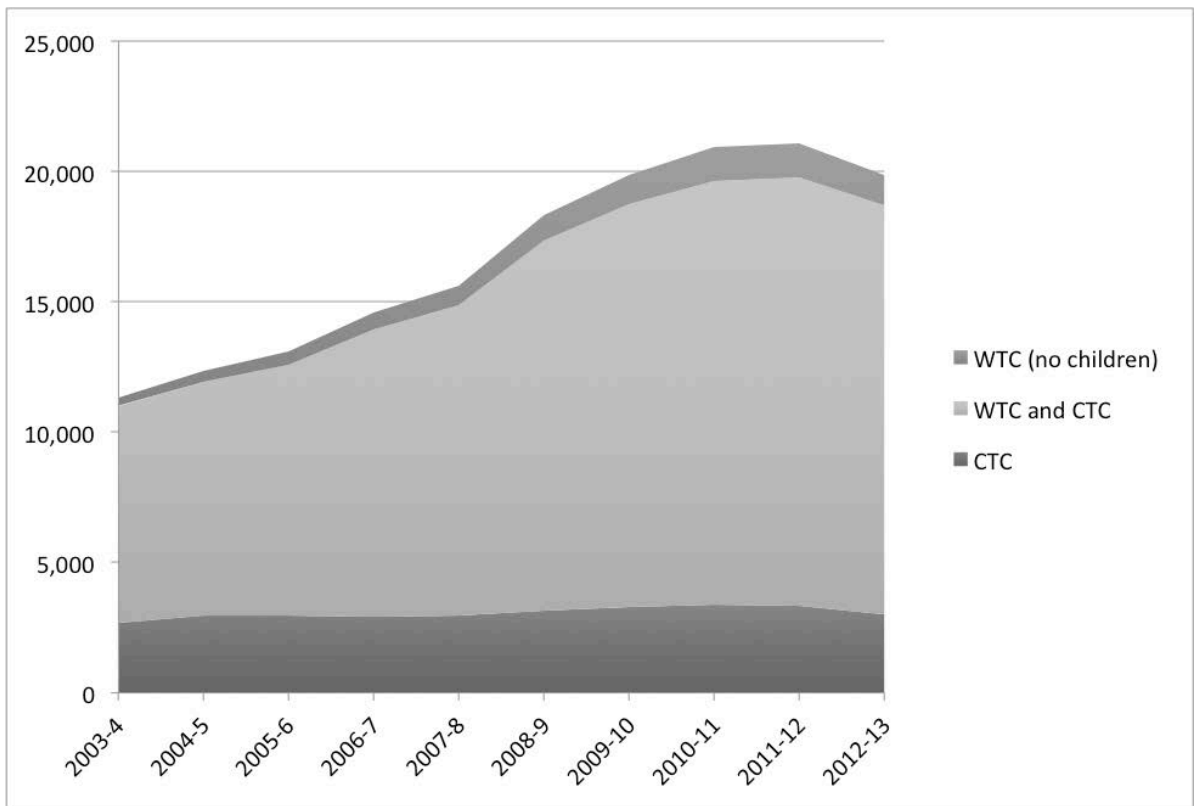
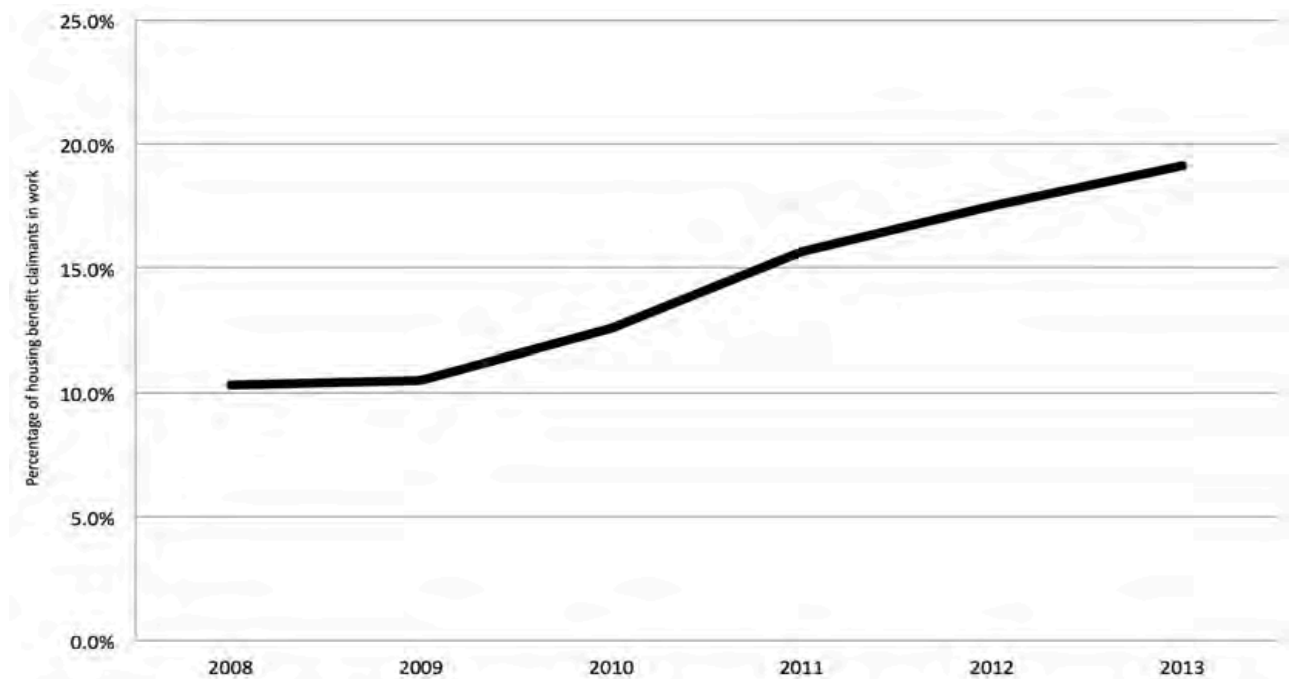


Figure 2b: Percentage of in-work housing benefit claimants.



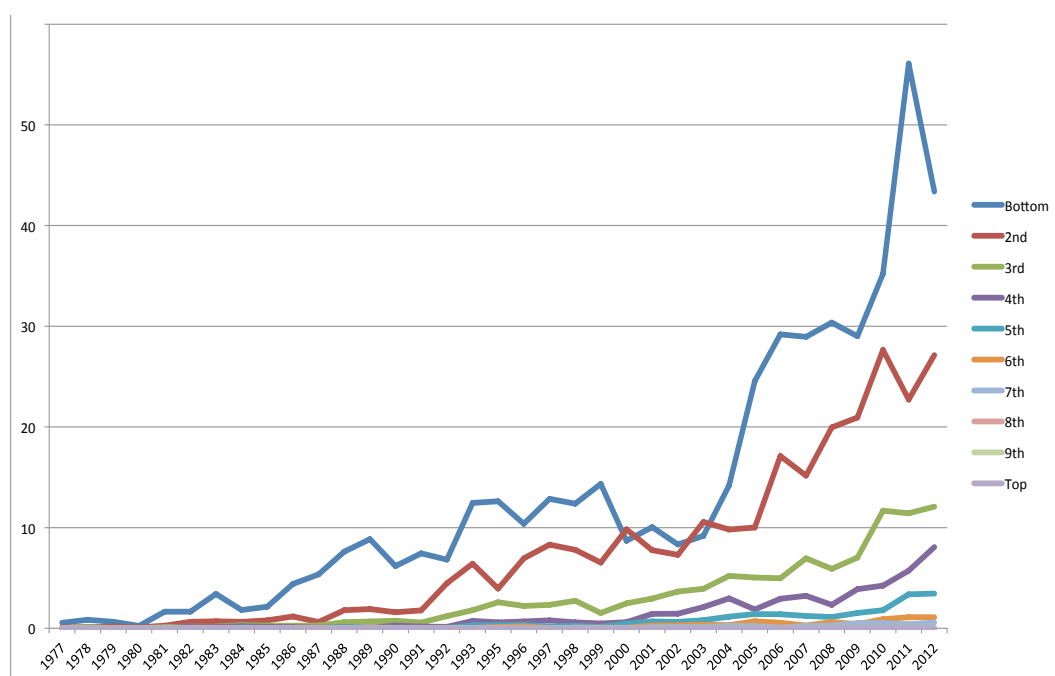
Source: compiled using DWP data for 2011-13 from (http://statistics.dwp.gov.uk/asd/asd1/hb_ctb/).

As Figure 3 illustrates, direct wage subsidies in the form of tax credits are worth over 43 percent of the original incomes of the poorest tenth of British working families. The equivalent figure for the next tenth (or second decile) is around 27 percent. Even those families on median earnings extract a not-insignificant subsidy worth over 3.5% of their original wage. This excludes housing and council tax benefits which also accrue to the low paid as already noted above. And the value of wage subsidies in terms of family income have increased exponentially since the 1970s (see Figure 3).

Some of these benefits have already come under attack under the present austerity reforms. Council Tax Benefits have been replaced by local authority schemes, for instance, although they continue to be majority funded through transfers from central government. Universal Credit, which is currently being phased in, will similarly be based on the principle that individuals will always be better off in work which suggests that in-work benefits will be preserved in some form in future, or the government will find some other way of keeping wages low or compensating employers that face pressure to lift wages.

Although it is true that in-work benefits do provide important support to families, there is a real risk that they simply lock individuals into low pay. Expenditure on working and child tax credits for those in work was £20bn in 2012-13.²³ Of this, £4bn went to those making claims on child tax credits alone. On the basis that this element might be viewed as compensation for an additional risk faced by families that did not otherwise qualify for working tax credits at the time, the estimate of corporate welfare put forward here is £16bn.

Figure 3: Direct wage subsidies as a percent of original wages, 1977-2012



Source: compiled from data obtained from the Office for National Statistics, 'The Effects of Taxes and Benefits on Household Income, 2012/13. <http://www.ons.gov.uk/ons/rel/household-income/the-effects-of-taxes-and-benefits-on-household-income/2012-13/etb-stats-bulletin-2012-13.html#tab-Non-retired-households>

Education and training: £29bn

Just about all employers require their employees to be numerate and literate and exhibit other basic qualities – discipline, communication skills and the ability to work well in a team – that schooling imparts. Many businesses require specific training and the skills beyond this that stem from further or higher education. Because of this, the CBI has been highly critical of cuts to the education budget in the past and has argued that reforms are needed to ensure that education is geared more towards meeting the needs of employers. Indeed, the CBI devotes more of its time lobbying in the area of education than any other public service (see Farnsworth, 2004a, esp. Chapter Five). The World Economic Forum summarised the importance of education to business as follows :

Basic education increases the efficiency of each individual worker. . . [W]orkers who have received little formal education can carry out only simple manual tasks and find it much more difficult to adapt to more advanced production processes and techniques, and therefore contribute less to devising or executing innovations. In other words, lack of basic education can become a constraint on business development. . . Quality higher education and training is crucial for economies that want to move up the value chain beyond simple production processes and products (Global Competitiveness Report, 2012: p4).

Despite the importance of education for private businesses, there is a dearth of good quality estimates of the value of education to private businesses. There have been studies that examine the personal and wider economic returns from higher education in particular (Conlon, 2011). And there have been studies which examine the broad benefits to ‘society’. But there have been very few attempts to systematically examine the financial benefits of education to private businesses. However, we can examine studies that have looked at the personal returns from education to business, taking the personal return to individuals as a proxy for the economic return to employers. This is bound to underestimate the value of education since such studies tend to compare the marginal personal benefits that stem from additional qualifications, and thus ignores the benefits that accrue to employers from general education for employees with no formal educational qualifications. But even this conservative measure reveals that employers extract significant benefits from the educational system.

The results of one of the few detailed studies of the evidence of returns to all forms of education, carried out by the Institute for Fiscal Studies, are summarised in Table 3. The last two columns calculate the economic returns to various forms of education. The returns for professional qualifications, which create the higher returns, are excluded from the table. Since many professional courses, including medical, teaching, social work and legal training are disproportionately concentrated in the public sector, this is appropriate. We can further reduce the overall calculation of returns by 20% to exclude most other public sector workers, despite the fact that the economic benefits of education and training for public sector workers does bring real benefits to the whole economy. What we are left with is another conservative estimate of the corporate welfare element of education of around £24bn, whether we take the lower or higher-range estimates of the economic returns.

Regarding the benefits to employers of state training, the Department for Business, Innovation and Skills provide an estimate of the benefits that accrue to private businesses from state provided vocational training (primarily within FE colleges) at around £3bn per year (BIS, 2011). We can add to this the costs of direct funding to support research and development by BIS and funding provided by the Skills Funding Agency (worth £1.4bn) and funding by BIS to support research and development in private companies (worth £607m) to give a total of just over £5bn.

Table 3: Estimates of the returns to state education

	Returns (percentage terms)	Higher estimate	Cost of provision	% achieving result	Value of financial return to employers	
					Lower range	Higher range
Compulsory schooling	Lower estimate					
	15%		40000	16.7	1002	
	23%	27%	40000	82.6	7599.2	8920.8
					8601.2	9922.8
Post compulsory education and training	5.50%	6.80%	8000			
	14.80%	16.60%	8000	92%	1089.28	
University	43%	49%				
	26.90%	27.90%	27900	0.92	7505.1	7784.1
	14.30%	15.60%	27900	0.92	3989.7	4352.4
				Total private sector (less 20% public sector)	23829.184	24784.08

Sources: Authors own calculations based on Sianesi, B. 2003, Returns to Education: A Non-Technical Summary of CEE Work and Policy Discussion. London: Institute for Fiscal Studies and Centre for the Economics of Education; DfE, 2013, Participation in education, training and employment, age 16 to 18. London: Department for Education. <https://www.gov.uk/government/statistics/participation-in-education-training-and-employment-by-16-to-18-year-olds-in-england-end-2012>

The NHS: £6.7bn

Good health care also contributes to higher levels of productivity. Although their attitudes towards the NHS have varied over time, the CBI have in the past voiced their concerns over the impact of poor health care and hospital waiting lists on employee absences, lengthy recovery periods and poor productivity. Again, the World Economic Forum captures the point well:

A healthy workforce is vital to a country's competitiveness and productivity. Workers who are ill cannot function to their potential and will be less productive. Poor health leads to significant costs to business, as sick workers are often absent or operate at lower levels of efficiency. Investment in the provision of health services is thus critical for clear economic, as well as moral, considerations (Global Competitiveness Report, 2012: 6).

There is no easy way to estimate the value of the NHS to private businesses, but the US offers a useful comparator. The lack of comprehensive public health insurance prior to the Obamacare reforms means that US employers spent the equivalent of ten per cent of the wages bill funding private health insurance for their employees. It is for this reason that some of the major employers in the US have, in the past, complained bitterly about the high health costs they face and have lobbied for an expansion of public health care (*The Economist*, 2005). To put this into perspective, in 2004, General Motors was the largest provider of health care in the USA, with Ford Motors close behind. The former was reported to have paid out around \$5.6bn, and the latter, \$3.2bn in health insurance costs in 2003 (Webster, 2006). General Motors argued in 2009 that the costs of health insurance added \$1,500-\$2,000 to the cost of a new car (*ibid.*).

If we compare the non-wage costs faced by US and UK employers we find that US employers pay the equivalent of 22.8% of hourly wages compared with 16.4% in the UK, precisely because British employers do not have to contribute as much to the costs of private health care. Put slightly differently, in advanced economies where the state fails to pick up the tab for health insurance, employers tend to face greater pressure to fund such provision themselves (Farnsworth, 2004a: 437-55; 2004b). Thus, the NHS potentially saves British employers around £8.4bn per year on their wages bill compared to their US counterparts. Nor would they likely save much in statutory NI costs if the UK adopted a private health care model since, firstly, the public costs of the US system have historically been higher than the NHS, and secondly, statutory employers NI contributions in the US have broadly been in line with UK charges for some time. However, we do have to take into account the fact that private, public sector and voluntary sector employers all benefit from this provision. To take account of this, we can reduce the estimate of NHS savings by eliminating non-private sector workers which currently accounts for around 20% of the total UK workforce. Thus, we can estimate that the corporate welfare benefits from the NHS, excluding procurement, are worth around £6.7bn per year.

Bank bailouts: £35bn

The specific costs associated with government interventions to rescue a number of banks during the post-2008 financial crisis, as well as assist other industries during this time, presents a further challenge. Since this paper seeks to investigate the value of ongoing government support to private businesses in a typical year, a large part of the financial and opportunity costs associated with the bank bailouts of 2008 are missing from the estimates offered here. However, it is worth briefly going over some of the emergency measures put in place in order to respond to the initial banking crisis. The equity purchases, cash injections and other subsidies amounted to some £195bn between 2008-2010 according to the IMF (2010), excluding the value of the bank guarantees, the costs of cheap loans to the banks, the losses on bank equity purchases, additional lending and associated interest charges taken on by the government. The eventual cost of such interventions will not be known for some years since and much will depend on how much the remaining bank shares are eventually sold for.

Given the above, it is incredibly difficult to arrive at an annual estimate for the ongoing costs associated with the banking crisis. What we know is that the government (or taxpayer) still had outstanding guarantees worth £21bn in March 2014, and £101bn in outstanding cash outlays according to the National Audit Office (<http://www.nao.org.uk/highlights/taxpayer-support-for-uk-banks-faqs/>).

Regarding the losses on equity purchases, RBS shares were worth £18bn less than the government paid for them by March 2014, although shares in Lloyds were higher than the amount paid. Even the relatively small gains made on the previous sales of Lloyds shares do not come close to making up for the costs incurred by government, especially if we take into account the additional public borrowing costs. Much of the funding of the bank bailouts was raised on 50 year government bonds at an annual cost of around 4 percent per year (ibid.) and the costs associated with this method of funding the support turn the notional 'profit' of £300m on the sale of Lloyds shares to a net losses of some £530m over the two sale periods (2013 and 2014) (<http://www.nao.org.uk/wp-content/uploads/2014/07/Her-Majesty-Treasury-2013-14-report-on-accounts.pdf>).

These estimates also fail to take into account the losses resulting from fact that the government is effectively retaining the 'bad' parts of the banks it is selling off.

In addition to the above is the continuation of the so-called 'too big to fail' subsidy. This 'notional' subsidy stems from the fact that banks are protected somewhat from regular market mechanisms and assessments of risk because the UK government effectively guarantees to underwrite these risks. There are several estimates of this 'subsidy'. The New Economics Foundation estimate the 'too big to fail' subsidy to be worth some £30bn per year even in 'normal' times (NEF, 2011). Andrew Haldane, Executive Director for Financial Stability at the Bank of England, estimates it to be worth around £57bn per year (Haldane, 2011). And even the Independent Commission on Banking, with representatives from the banking industry, acknowledged that it is worth "considerably more than £10bn a year".²⁴

Current moves in the UK to separate high-street banking from more risky financial transactions may help in future to reduce this, but it is as yet unclear how effective these reforms will actually be.

Based on the above, we have three estimates of corporate welfare assistance to the banks in 2012-13. The loss on the sale of Lloyds Bank shares that year was £230m. The losses in the subsequent year were over £300m. Second, as noted above, the cost of long-term borrowing to fund the crisis measures is around 4 percent per year. The cost of the outstanding cash outlays of £101bn alone thus cost over £4bn per year. Third, the ‘too big to fail’ subsidy is, taking the average of three different estimates, around £31bn. Total support to the banks in 2012-13 was therefore in the region of £35bn, not counting the cost of losses incurred on the remaining shares held by government.

The other side of the coin: corporate taxation

As earlier sections of this paper made clear, business taxes are central to the debate on corporate welfare for several reasons. To begin with, taxation raised on corporate activities may help to pay for corporate welfare provision. Secondly, governments may choose to service business needs and/or demands either by increasing direct provision to them, or by reducing their tax burden. Thirdly, business interests often claim that their tax contributions are too high compared with their competitors, especially given the paucity of benefits and services they get back in return. To help to shed light onto these issues, we have to consider corporate taxation in more detail. The following sections examine headline tax rates, the size of the corporate tax burden and the issue of tax avoidance in turn, before comparing the size of the most director forms of corporate welfare with the corporation tax.

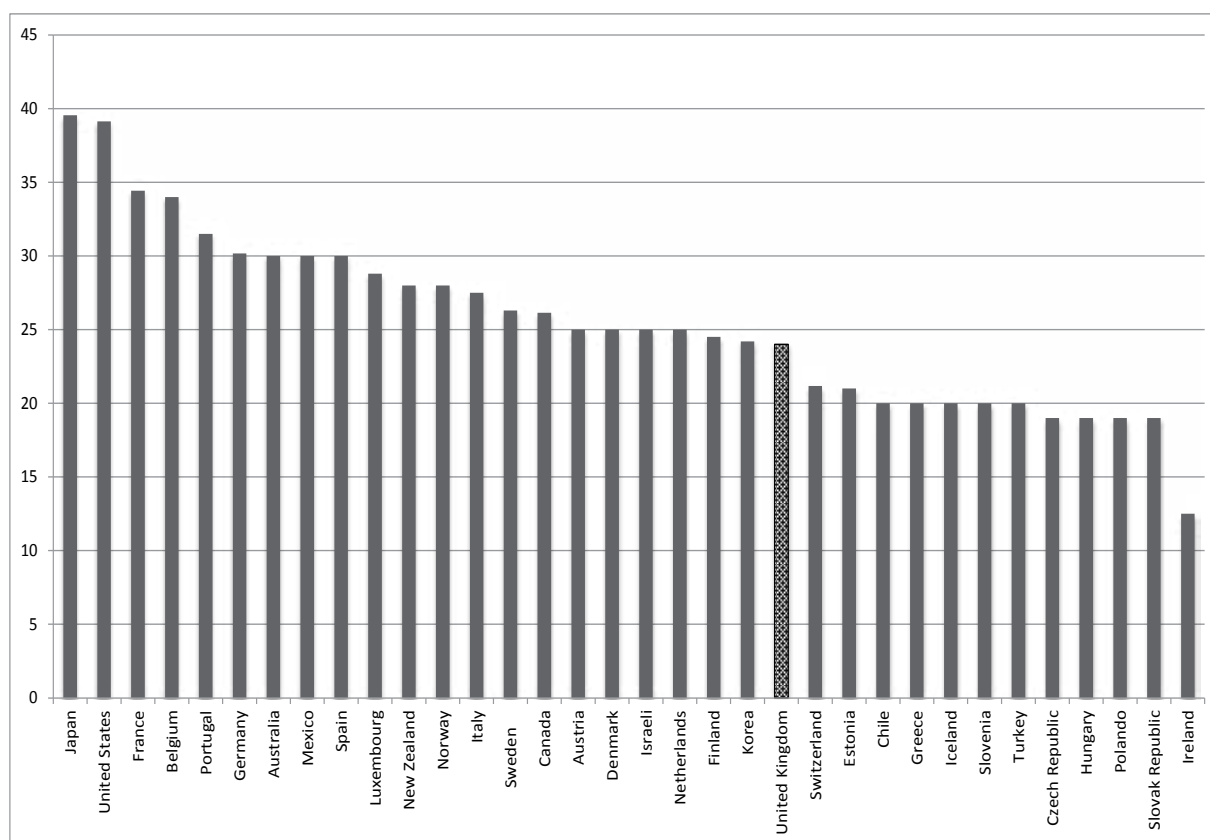
The headline corporate ‘tax gap’

Beyond the various corporate tax benefits, the headline rate of tax and the distribution of the tax burden are both important to final profits. An examination of headline corporate income tax rates reveals the efforts made by various governments over the past thirty years to cut corporate tax rates, and the UK has pursued this policy with more enthusiasm than many of their competitors. One of the Treasury’s senior advisors on corporation tax said recently when reflecting on UK corporation taxes that “I don’t think in the last 20 years or so one can say that governments have driven corporation tax policy. It’s the large companies that have driven the direction of corporate tax policy.”²⁵

British corporation tax was 52 percent for large companies and 42 percent for small companies in 1973, falling to 26 percent by 2011. The small companies rate was changed to Small Profits’ Rate in 2010 (which applied to companies making less than £300,000 in profit and this had been reduced to 20% by 2011. The Conservative-led Coalition Government cut corporate tax rates further: the main rate has been reduced in successive years from 26% in 2011 to 20 percent by 2015, so that all profit is taxed at this new rate. Even at the higher rate of 24 percent levied in 2012, corporate income

tax rates were relatively low in the UK – lower than France, Germany, Italy, Japan, Canada and the US (see Figure 4). They have been cut by successive governments precisely because they view low headline rates as an important way of inducing corporations to invest in the UK. In this way, corporate tax competition operates as a form of corporate welfare in the way that subsidies, grants or tax benefits might (for a discussion of the processes at work here see Steinmo, 1993) and the rates of other countries have certainly been used by successive UK governments to justify cuts in corporate taxation.

Figure 4: Corporate income tax rates (combined national and local rates), 2012



The corporate tax burden

Comparative data suggests a slightly different story if we consider the tax take rather than headline rates. In terms of actual corporate tax levied, the UK appears to be a relatively high taxing country, and this is the figure that is often quoted by business organisations to lobby for reductions in corporation tax. However, the overall shape of taxation varies between states and whilst corporate income is higher in the UK than some of its competitors, national insurance contributions levied on employers are relatively low. Figure 5 reveals that as a proportion of

total taxation, corporate income taxes and employers NI contributions made up 18.5% of total tax revenues in the UK, compared with 23.7% for OECD countries and 24.6% for the average of the other G7 countries. Thus, taking both of these major forms of taxation together reveals a sizeable corporate ‘tax-gap’ between the UK and its major competitors. If UK companies paid tax shares equivalent to the average tax burden faced by other companies in the G7, they would have contributed an extra £32bn in 2011-12.²⁶ If they paid a similar share as French employers, they would have faced an additional tax bill of £70bn.

Corporate income taxes have also fallen as a proportion of all taxes, including taxes levied on citizens (see Figure 5), since the 1980s. Thus, citizens are contributing proportionately more towards corporate welfare.

The tax gap between the UK and elsewhere also appears to be widening. Corporate tax take as a percentage of profits has fallen rapidly in recent years. Figure 6 illustrates that corporation tax was levied at over 17 percent of declared profits in 2005, but this had fallen to 13.5 percent by 2013. If profits were taxed at the same level in 2013 as they had been in 2005, this would have generated an extra £12bn – equal to the planned cuts to the social welfare budget planned by the Conservative Government from 2015.

Figure 5: Corporate taxation (corporate income tax and employers’ national insurance contributions as a percentage of total tax revenues)

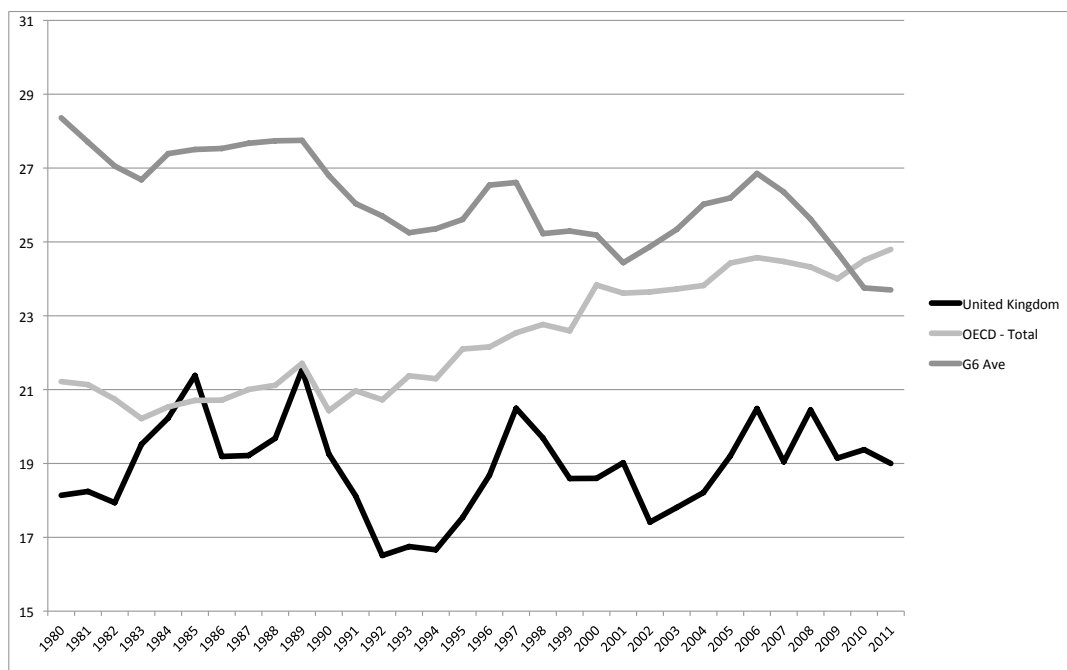
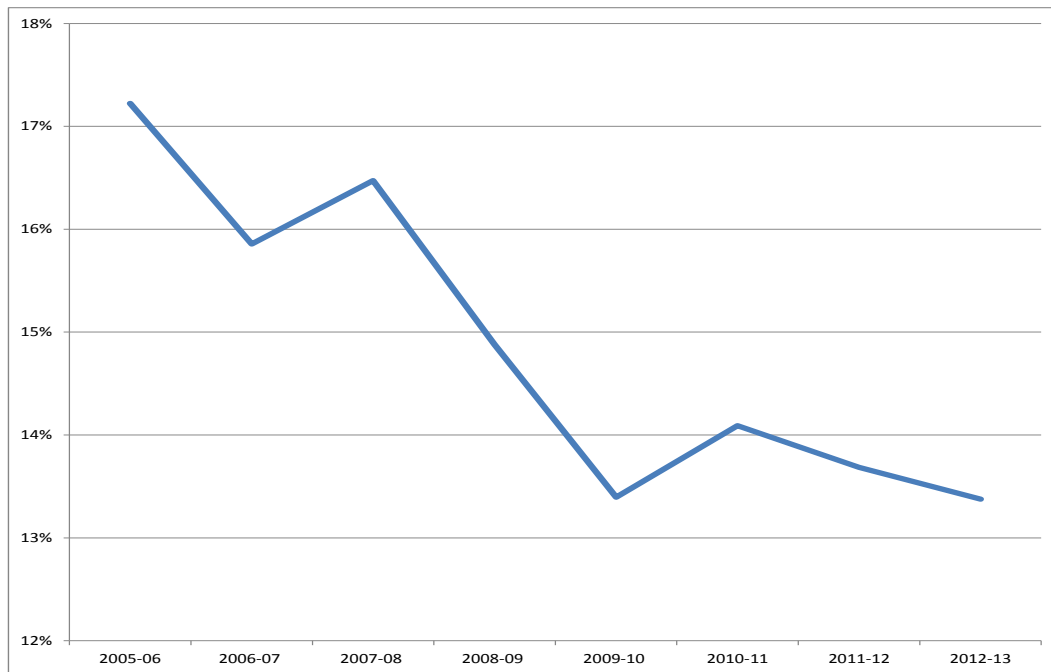


Figure 6: Corporation Tax as a Percentage of Profits



Source: compiled from HMRC data (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/356099/Corporation_Tax_Statistics_September_2014.pdf)

Tax avoidance

Tax benefits and tax cuts are one thing, but we might also consider here the issue of tax avoidance. Tax avoidance is different from tax evasion. The latter is illegal and occurs when tax payers break the law; failing to pay the tax that they legally owe. Although there is a fine line between evasion and avoidance, tax avoidance occurs where taxpayers use loopholes in the law to escape taxation – it is technically legal or at least not criminal, even if it goes against the spirit of tax law.

Since tax evasion, which cost the exchequer between £26-70bn in 2010,²⁷ is illegal, it is excluded from the total for corporate welfare. But tax avoidance is included. The reason for this is that avoidance is, at best, the result of poor regulations, but at worst, it may arise because of collusion on the part of government or its tax collection agencies (see Farnsworth and Fooks, 2015). The Public Accounts Committee, for instance, castigated HMRC in 2013 for its lack of transparency surrounding its pursuit of multinational companies in particular and for its complacency in its tolerance of tax avoidance:

We were not sufficiently convinced by the Department's assertion that it was pursuing all the tax due from big businesses . . . There is genuine public anger and frustration because there is an impression that rigorous

action is taken against ordinary people and small businesses and British companies based wholly in the UK but, apparently, lenient treatment is given to big corporations, of which almost half have a head office overseas.²⁸

Although the Public Accounts Committee launched a major investigation of corporate tax avoidance in 2012, it failed to put forward an estimate of its total (Committee of Public Accounts, 2012).²⁹ Tax Research UK has offered an estimate of the cost of tax avoidance by the 700 biggest companies, which put the cost to the exchequer at around £12bn in 2010.³⁰ Since this is based only on the largest companies, the total size of corporate tax avoidance is likely to be much higher.

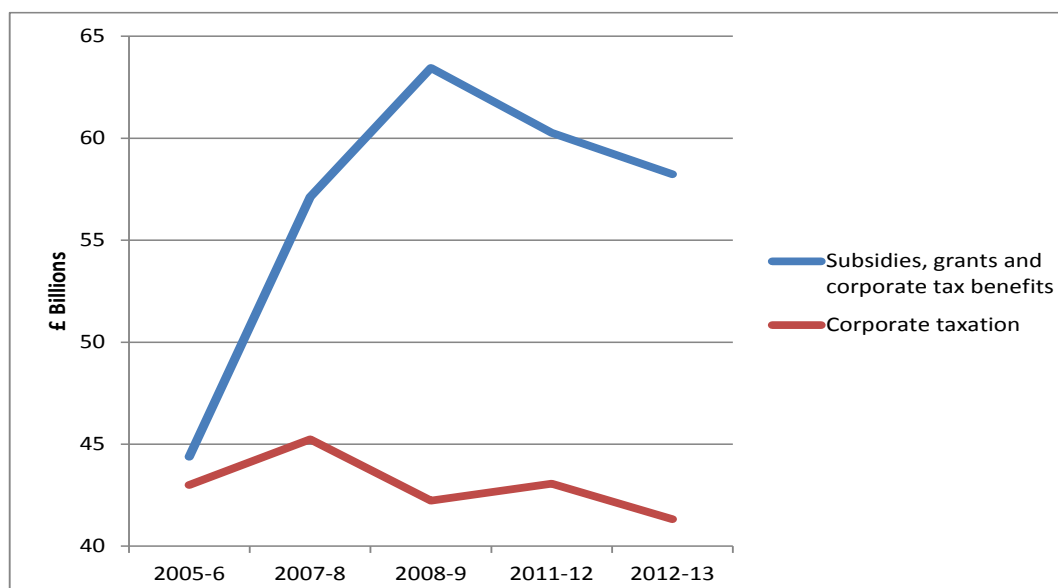
BOX 3:

Amazon was accused by the Public Accounts Committee of the House of Commons in 2012 of aggressively avoiding taxation in the UK. In particular, it was accused of masking profits by claiming that its major 'economic activities' take place outside the UK and for avoiding VAT by shipping CD and DVD products direct from Jersey while charging the customer the full VAT rate.³¹ What was not raised by the Committee was the fact that during this period the company was awarded £7.7million to support the building of a distribution centre in Fife, Scotland and £8.8m by the Welsh Assembly. The Welsh Assembly also built the 'Ffordd Amazon Road' to link the new distribution centre at a cost of £3m.³²

Corporate welfare compared with corporate tax take

This section on corporate taxation begs the question of how corporate taxes compare with corporate welfare. Figure 7 plots corporate income taxes alongside subsidies, grants and tax breaks. This reveals that, on the basis of just these three forms of corporate welfare, private businesses extract more from the state in financial terms than they contribute in corporate income tax around £42bn in 2012-13. Even if we include employers NI contributions, around £100bn in 2012-13, the total level of corporate taxation would be less than the higher estimates of the value of corporate welfare.

Figure 7: Corporate income tax versus corporate welfare



Conclusions

This paper set out to conceptualise and estimate the value of British corporate welfare – the various public services that directly and indirectly aid private businesses. Corporate welfare in Britain, it argued, is under-researched, under-conceptualised, under-investigated, under-discussed and under-disclosed. This is, in part, explained by the lack of transparency surrounding provision to private companies. The most widely held assumption is that the vast majority of what the state does is primarily about meeting the needs and preferences of citizens. And major state bailouts of private companies – including the rescue of British banks in 2007-8 – are dismissed on the basis that they are exceptional measures that are not typical of 'normal' times. In fact, corporate welfare is the norm not the exception. If we look at public provision through a slightly different lens, that is, if we consider what private businesses need in order to evolve, produce, generate sales and make profits, the state is heavily involved at every step. If we take this further and consider how private businesses benefit from state provision and how that provision is shaped, we discover that much of what the state does is primarily about meeting the needs and preferences of private businesses, even if some of those benefits and services are consumed in the first instance by citizens.

Such assumptions – that corporate welfare is everyday and everywhere – guide the discussions and investigations of this paper which, in turn, is part of a bigger project that seeks to increase transparency and accountability in this area. Whilst previous studies have looked at disparate forms of provision and how businesses might extract value from the state, they do not explore this provision systematically or with reference to an overarching understanding of the drivers of state expenditure. This paper represents the first such attempt to more fully critique and develop the concept of corporate welfare in the British context and to put forward an estimate of its value.

Corporate welfare in the UK is obscured and hidden both in terms of the rhetoric surrounding public policy support for private businesses and the availability of reliable data. We lack the language or appropriate frameworks to describe such provision. Here I have attempted to 'bring corporate welfare in' to the debate. Elsewhere, with few exceptions, discussions of most of what the government does is described as *public* or *social policy* and, within this discussion, private businesses are often lost. Some data on the value of the most direct forms of corporate welfare – grants and subsidies – are provided, although not in a form that is consistent, clear and transparent. The situation is even worse if we examine the receipts of individual companies as, future work will demonstrate.

The analysis set out in this paper suggests that corporate welfare in the UK is worth between £93bn and £180bn per year. The lower figure is enough to wipe out the UK deficit for 2015. The higher figure would make a significant dent in the national debt. The cost of corporate subsidies alone is higher than unemployment benefits. And capital grants are worth more than subsidies. Meanwhile, corporate tax cuts have reduced revenues by over £12bn since 2005, enough to halt the planned cuts in the unemployment benefits of the poorest and most vulnerable individuals in society. The size of the corporate welfare bill, coupled with the unwillingness (or even inability) of businesses to contribute more towards its costs means that the present situation is untenable.

Yet, the invisibilisation of businesses as major consumers of public provision helps to ensure that they pay less and less for state services upon which they depend more and more. Employment practices place increasing burdens on the social welfare system; whilst trading practices increase the need for governments to step in to prevent markets from imploding. Yet, paradoxically, business tax strategies increasingly undermine the tax base and business rhetoric is constantly set in opposition to the state. The most consistent demand of business is that corporations need lower taxes and lower regulations in order to compete in the world. Businesses may need the state, but their actions suggest they are less and less willing to pay for it which inevitably means higher taxes on (regular) citizens and/or further cuts in social welfare.

So what is the answer? One solution would be to cut corporate welfare, especially those forms of provision that bring fewest direct benefits to citizens. But this would not be without its risks which are heightened by the lack of transparency/analysis/debate. Cutting back subsidies, grants and tax benefits would certainly impose huge costs on businesses, which may or may not be a cause for concern, but they may also have grave negative effects on citizens. Cuts in wage subsidies would, for instance, impose costs on families but, on the assumption that employers would not simply be able to continue pay wages that are too low to support workers' living costs, such cuts would also increase the wages bill for employers. There would be similar results if the government charged businesses the full economic costs of building and maintaining sufficiently good transport links, or forced employers to pick up the costs of health insurance. Many businesses would cease to exist if they didn't trade directly and exclusively with the various arms of the state. It is clear that some forms of corporate welfare are essential, but more analysis on the relative costs and benefits of different types of provision, delivered in different ways to different businesses, is desperately needed in order to determine which represent best value for money and how best to organise corporate welfare in a way that maximises social benefits.

The main conclusions of this paper can be distilled into four key points. First, much of what the state does is about servicing the needs of private businesses. Second, corporate welfare is as essential to private businesses as social welfare is to citizens. Third, the costs of corporate welfare are significant, but exactly how significant is not yet possible to determine. What is needed is a more informed debate and more transparent data. This debate needs to go beyond academia to include trade unions and businesses themselves. Fourth, and related to this point, business interests, and in particular the major business organisations, need to be more transparent, open and honest about the benefits they extract from the state. The constant clamoring for lower taxes and lower regulations undermines the sustainability of the very services upon which they depend. And the danger of reducing regulations is that it ends up imposing even greater costs on the state, a situation evidenced dramatically by the huge costs associated with the bank bailouts and post-2008 economic crisis.

A wider debate about corporate welfare in the UK, informed by transparent data, is long overdue. We need to realign our understanding of what the state does, who (or what) it supports, and who pays for it. Most importantly of all, we need a better informed debate about what kind of welfare state we want. This paper will hopefully help to kick-start such a debate.

Notes

1. <http://www.bbc.co.uk/news/uk-politics-15541800>
2. <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-10-13/210156>
3. see <http://www.guardian.co.uk/politics/2013/apr/09/george-osborne-constituency-coalition-cuts> and <http://www.macclesfield-express.co.uk/news/local-news/council-pays-5m-alderley-park-7822802>
4. <http://www.theguardian.com/uk/2011/oct/30/occupy-protesters-government-blame-lse-chairman>
5. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/349326/Invest_in_the_UK_-_your_springboard_for_global_growth.pdf
6. see <http://www.corporate-welfare-watch.org.uk/>
7. Since the Regional Development Associations have now been disbanded, it is likely to prove even more difficult to piece together this data in future.
8. For details of the freedom of information request see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275343/bis-foi-13-1818-subsidies-to-sainsburys.pdf. The relevant documents recording the allocation of grants from the North West RDA are archived at: <http://webarchive.nationalarchives.gov.uk/20120325081622/http://www.nwda.co.uk/areas-of-work/national-policy--funding.aspx>
9. Between 2007-8 and 2012-13 PESA, local authority spending on capital grants was recording under 'Capital grants to persons and non-profit bodies'. From 2012, there was a sharp increase in the value of capital grants to external bodies, with the amount going to persons and non-profit bodies remaining stable. It is a reasonably safe assumption that much of this increase can be accounted for by the increasing value of transfers to private sector companies. The underlying data was obtained through personal correspondence with civil servants from the Treasury.
10. The range of tax benefits paid to corporations is extensive. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/302317/20140109_expenditure_reliefs_v0.4published.pdf); HMRC, 2014, Cost of Minor Tax Expenditures and Reliefs. London: HMSO (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288274/20131024_minoralloances_reliefs_v0.3published.pdf)
11. Available via <http://stats.oecd.org>
12. This is an estimate offered by the House of Commons Transport Committee, 2010, The future of aviation: Government response to the Committee's First Report of Session 2009-10. London: TSO. P9, Para 15
13. House of Commons Environmental Audit Committee, 2014, Energy subsidies Ninth Report of Session 2013-14, London: TSO
14. Evidence to the Business, Innovation and Skills Committee, Rebalancing the Economy: Trade and Investment. TUESDAY 1 FEBRUARY 2011. Q218. - <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmbis/uc735-iii/uc73501.htm>
15. <http://www.ukti.gov.uk/uktihome/aboutukti.html>

16. UK Trade and Industry Annual Report, 2010-11. London: HMSO. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229093/1005.pdf
17. <http://www.number10.gov.uk/news/speech-at-global-investment-conference/>
18. <http://www.bbc.co.uk/news/uk-politics-17661004>
19. This estimate applies to 2013-14 and is provided by the Department of Business Innovation and Skills' submission to the 2014 BIS Select Committee investigation into Government Support for Businesses, see <http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-innovation-and-skills/inquiries/parliament-2010/government-support-for-work/?type=Written#pnlPublicationFilter>. One estimate of the cost of marketing and other support services that accrues to the defence industry alone, excluding export credit guarantees, is in the region of £60m in 2010-11. SIPRI. (2011). Assessment of UK arms export subsidies. (Stockholm: Stockholm International Peace Research Institute).
20. see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/310483/outturn-and-forecast-budget-2014.xls
21. For a Jacobs, K. Ian Perry and Jenifer MacGillvary 2015 *The High Public Costs of Low Wages* <http://laborcenter.berkeley.edu/the-high-public-cost-of-low-wages/>
22. see http://statistics.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_aug12.xls and <http://www.hmrc.gov.uk/statistics/fin-main-stats/cwtc-awards.xls>
23. See HMRC, 2014 *Child and Working Tax Credits Statistics: Finalised annual awards in 2012-13* London: HMRC
24. See House of Commons Treasury Select Committee report (2011) Independent Commission on Banking. Nineteenth report of session 2010-12 London: TSO
25. <http://www.theguardian.com/global/2015/jun/28/uk-tax-policy-dictated-by-big-companies-not-ministers-treasury-adviser>
26. The average share of corporate income tax plus employers' national insurance contributions paid in the 'G6' countries (G7 minus the UK) was 24.6% in 2011-12. The size of the UK corporate tax burden was 15.6% in the same year. The total taxation raised in the UK in 2011 was £538.7bn. If UK companies paid 24.6% of the UK tax bill they would contribute £132.5bn rather than the actual amount in 2011 of £100bn (based on OECD Revenue Statistics data, accessed via <http://stats.oecd.org/>)
27. <http://www.taxresearch.org.uk/Blog/page/2/>
28. <http://www.taxresearch.org.uk/Blog/wp-content/uploads/2012/07/Screenshot-2012-07-29-at-14.16.33.png>
29. Public Accounts Committee - Nineteenth Report. HM Revenue and Customs: Annual Report and Accounts, 2012, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpublicacc/716/71605.htm>
30. <http://www.taxresearch.org.uk/Blog/wp-content/uploads/2012/07/Screenshot-2012-07-29-at-14.16.33.png>

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31. <http://www.taxresearch.org.uk/Blog/2009/06/05/when-will-we-stop-this-abuse-2/>
32. <http://wales.gov.uk/newsroom/businessandconomy/2012/121128amazon/Plang=en>

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