

If Taxpayers Cover the Losses, Corporations Should Cover the Bill

When a small business fails, it fails. The owner loses the business, the building gets sold off, employees find new jobs, and nobody in Washington calls an emergency session. That's the deal capitalism is supposed to run on: take the risk, keep the upside, absorb the downside.

That deal doesn't apply once a company gets big enough. Since 1979, the United States has run a second, unwritten system alongside the first one — a safety net that scales with a company's size and political weight, not with its need or its merit. And the bill for that second system has landed, again and again, on the same people: individual taxpayers, who have carried a rising share of federal revenue for over forty years while corporate tax's share of the economy has never come back.

The Pattern, Laid Out Plainly

- **1979-80: Chrysler.** Congress approved \$1.5 billion in loan guarantees to save the automaker from bankruptcy — the largest rescue of a private company in U.S. history at the time. Senator William Proxmire, voting against it, said exactly what would happen next: “This is a very, very bad precedent. Having bailed out Chrysler, a big and failing corporation, it's going to be very hard not to bail out others.”
- **Late 1980s–90s: the Savings & Loan crisis.** Hundreds of failed thrifts were resolved with hundreds of billions of taxpayer dollars through the Resolution Trust Corporation. Smaller banks that failed on their own got no such rescue — they simply failed.
- **2008: the financial crisis.** TARP bailed out the banks that had taken on the risk that caused the crash, plus GM and Chrysler again. Some of that money came back. GM's rescue alone left taxpayers with a net loss of roughly \$11 billion. “Too big to fail” stopped being a critique and became an actual policy category.
- **2020: COVID relief.** The largest firms got privileged access to Federal Reserve lending facilities and favorable PPP terms that smaller businesses often couldn't get on the same footing — while many small businesses closed for good with no equivalent backstop.

Proxmire was right. Once the government bails out one big company, it becomes the expectation, not the exception. Every decade since has proven it.

The Other Half of the Ledger

Here's what makes this arrangement genuinely unfair, not just uncomfortable: the corporate tax base that should be funding this insurance policy has been shrinking the entire time it's been used. Federal corporate income tax receipts fell from about 2.5% of GDP in 1979 to roughly 1%

by 1982, and have never recovered — sitting around 1.6% of GDP even today. Individual income taxes, meanwhile, have held steady or risen slightly as a share of the economy over that same stretch and remain the dominant source of federal revenue.

Put those two facts side by side and the picture is stark: the same four decades in which corporations paid a shrinking share of the tax base are the same four decades in which corporations became the recipients of the government's largest, most repeated financial rescues. Individual taxpayers are, in effect, underwriting an insurance policy for corporate risk-taking while paying a growing share of the premium themselves.

Why "the Market Will Pass It On" Isn't a Real Objection

The standard pushback against raising corporate taxes is that corporations don't really pay them — the cost gets passed to workers through lower wages or to consumers through higher prices. There's real economic research behind that concern, and it shouldn't be waved away.

But that argument, taken seriously, cuts the other way just as hard. If corporations can pass tax costs downstream to workers and consumers, they can equally pass along the benefit of bailouts, tax cuts, and buyback-friendly rules to shareholders and executives without passing much of it to workers either — and the wage data over the last 45 years suggests that's closer to what actually happened. Wages as a share of the economy fell from 47.7% in 1979 to 42.1% in 2025, even as corporate tax burdens fell and corporate cash increasingly went to buybacks rather than into paychecks. If cost pass-through to workers is real, so is benefit pass-through to shareholders — and the evidence suggests the money has been flowing toward the latter, not the former.

A Simple Principle

Insurance has a basic logic: the party that gets covered when things go wrong should be the one paying into the pool that covers them. Right now, that isn't how this works. Corporations get bailed out. Individuals pay for it — both through the bailouts directly and through a tax system that has leaned on them more, not less, for forty-five years.

If corporations are going to keep receiving too-big-to-fail protection every time the system strains — 1979, the late 1980s, 2008, 2020 — then the tax code should require them to pay premiums for that protection, not leave the bill with the taxpayers who never got a vote on whether to write the check in the first place. That's not a radical proposal. It's just asking that whoever gets the safety net helps pay for it.

Note: this piece argues a policy position. Reasonable people disagree on tax incidence, on how much of past bailout money was ultimately recovered, and on how corporate tax changes affect wages, prices, and investment — see the companion piece on the underlying debt, tax, and wage data for that fuller picture.