

The Public Return on Corporate Subsidies

A Four-Year Review Model for Corporate Subsidies

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DEMOCRATIC GOVERNANCE | ENERGY POLICY

Civic Sketches is a series of draft policy proposals by Lawrence Nault — an independent researcher and policy writer based in Alberta's Badlands. These proposals are working drafts, not party platforms or final answers. They are intended to invite discussion, challenge, and refinement across all levels of government and the broader public.

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Corporate subsidies are one of the least visible ways public money moves into private hands.

They do not always appear as direct cheques. Sometimes they come as tax incentives, royalty reductions, low-interest loans, loan guarantees, land discounts, infrastructure commitments, utility discounts, or other forms of public support that are harder for the public to see and harder to measure.

These subsidies are often announced with promises of jobs, investment, growth, competitiveness, or economic stability. Sometimes those promises may be real. Sometimes the public return may justify the public cost.

But that should never be assumed.

At all three levels of government — municipal, provincial, and federal — corporate subsidies should be subject to the same basic standard: public money must produce public value.

A town that gives up tax revenue to attract a company should be able to prove the community benefited.

A province that lowers royalties, offers tax incentives, or supports a sector should be able to prove the public received more than it surrendered.

A federal government that provides grants, loans, guarantees, or industry supports should be able to prove that the benefit stayed in the country and did not simply flow outward to shareholders, parent companies, or private profit.

This is not an argument that every corporate subsidy is wrong. It is an argument that every corporate subsidy should be accountable.

If governments can audit social programs, schools, hospitals, municipalities, workers, small businesses, and individual taxpayers, then they can audit the public money given to corporations.

The principle is simple: Public money should produce public return.

The following proposal outlines a four-year review model that would require governments to evaluate corporate subsidies regularly, measure whether promised benefits were actually delivered, identify long-term public costs, and reform, reduce, suspend, or end subsidies that no longer serve the public interest.

The Public Return on Corporate Subsidies Act

A Four-Year Review Model for Corporate Subsidies

Purpose

Governments regularly provide financial support to corporations and corporate sectors through direct grants, tax incentives, royalty reductions, low-interest loans, loan guarantees, land discounts, infrastructure support, utility discounts, procurement advantages, and other forms of public assistance.

These subsidies are often justified as necessary for job creation, economic development, investment attraction, industry stability, or national competitiveness.

However, once created, subsidies can become permanent features of the economy without regular proof that they continue to serve the public interest.

The Public Return on Corporate Subsidies Act would require every major corporate subsidy to be reviewed on a four-year cycle to determine whether it is producing a public return greater than its public cost.

Core Principle

Corporate subsidies should not be treated as entitlements.

They should be treated as public investments. And like any public investment, they should be measured, audited, justified, and, where necessary, reduced, redesigned, or ended.

Public money given to private industry must produce public benefit.

What Would Be Reviewed

The review would apply to all major forms of corporate subsidization, including:

- Direct cash grants
- Tax credits and tax exemptions
- Royalty reductions
- Low-interest or forgivable loans
- Loan guarantees
- Publicly funded infrastructure primarily benefiting private industry
- Land discounts or below-market leases
- Sector-specific regulatory exemptions
- Government-backed insurance or risk protection
- Procurement advantages
- Training subsidies tied to private employers
- Energy, water, or utility discounts
- Cleanup, closure, or remediation costs transferred to the public.

The purpose is not to assume every subsidy is bad.

The purpose is to require proof that each subsidy continues to serve the public interest.

The Four-Year Review Cycle

Every corporate subsidy would be reviewed at least once every four years.

Each review would examine whether the subsidy has delivered the benefits promised when it was created or renewed.

The review would apply several public-interest tests.

1. The Job Creation Test

The first question is whether the subsidy created real, stable, fairly paid employment.

This review would consider:

- The number of full-time jobs created
- The number of part-time, temporary, or contract jobs created
- The average wage of those jobs
- The duration of those jobs

- Whether the jobs remained after the subsidy ended
- Whether the jobs likely would have existed without the subsidy
- Whether the subsidy merely shifted jobs from another region, sector, or employer

A subsidy should not be considered successful simply because jobs were promised.

It should be considered successful only if those jobs were delivered, sustained, and worth the public cost.

2. The Public Revenue Test

The second question is whether the subsidy generated more public revenue than it cost.

This review would consider:

- Corporate taxes generated
- Payroll taxes generated
- Income taxes paid by workers
- Local, provincial, and federal tax effects
- Secondary economic activity
- Reduced need for public support programs, if applicable
- Long-term revenue projections

If a subsidy costs more than it returns, the public deserves to know why it should continue.

3. The Domestic Retention Test

The third question is whether the economic benefit remains in the country, province, or region that provided the subsidy.

This review would examine:

- How much profit remains locally
- How much is transferred to foreign or out-of-province shareholders
- How much is paid to parent companies
- How much is used for executive compensation
- How much is used for dividends or stock buybacks
- Whether local suppliers, workers, and communities actually benefit

A subsidy should not be judged only by whether a corporation became more profitable.

The real question is whether the public received enough benefit in return.

4. The Public Liability Test

The fourth question is whether the subsidized company or sector is leaving behind public costs greater than the value of the subsidy.

This review would consider:

- Environmental cleanup costs
- Abandoned infrastructure
- Abandoned oil and gas wells
- Tailings, waste, or emissions liabilities
- Water contamination
- Public health impacts
- Road, grid, water, and municipal infrastructure strain
- Long-term monitoring and enforcement costs
- Future legal, closure, or remediation costs

No subsidy should be judged only by short-term economic activity while ignoring long-term public liability.

If a company profits today but leaves the public to pay tomorrow, the subsidy has not created true public value.

5. The Completion and Clawback Test

The fifth question is whether the public can recover its money if the company fails to meet its obligations.

Every subsidy agreement should include enforceable clawback provisions.

Subsidies should be returned, in whole or in part, if:

- Promised jobs are not created
- Promised jobs disappear before the agreed period ends
- The company leaves the jurisdiction
- The project is abandoned
- The company sells subsidized assets for private gain

- The company enters insolvency after receiving support
- The company violates environmental, labour, tax, or reporting obligations
- The company closes before completing the subsidy agreement

Public money should not become a private reward for promises that were never fulfilled.

Required Public Reporting

Every four-year review should produce a public report.

That report should include:

- The total value of the subsidy
- The original purpose of the subsidy
- The companies, industries, or sectors receiving support
- Jobs promised versus jobs delivered
- Wages and duration of those jobs
- Public revenue generated
- Economic benefit retained locally
- Economic benefit transferred outside the jurisdiction
- Environmental and infrastructure liabilities created
- Cleanup, closure, or remediation obligations
- Compliance with labour, tax, and environmental rules

The final recommendation

The recommendation would fall into one of five categories:

- Continue
- Reform
- Reduce
- Suspend
- Terminate and recover funds where possible

Confidential business information could be protected where genuinely necessary, but the public must still be able to determine whether public money is producing public benefit.

Built-In Sunset Clause

Every new corporate subsidy should include a sunset clause.

That means the subsidy would automatically expire unless renewed after review.

A subsidy should not continue simply because it already exists. It should have to prove its value again.

Why This Matters

Every dollar used to subsidize a corporation is a dollar not used elsewhere. It is money that could have gone to health care, housing, education, disability support, infrastructure, environmental protection, debt reduction, or direct public services.

That does not mean every corporate subsidy is wrong.

Some may be justified. Some may create good jobs, build needed industries, protect strategic sectors, or produce long-term public value. But no subsidy should survive on habit, lobbying, slogans, fear, or political convenience.

If public money is being used to support private profit, then the public has the right to ask:

- What did we get back?
- Did the jobs last?
- Did the revenue stay here?
- Did the public benefit exceed the public cost?
- And if the promise was broken, can we get the money back?

The Public Return on Corporate Subsidies Act would not ban corporate subsidies.

It would simply require them to prove they are worth what the public is paying.

About the Author

Lawrence Nault is a Canadian author, filmmaker, and independent researcher based in Alberta's Badlands and Rockies. He writes speculative fiction and YA fantasy, directs documentary film, hosts the podcast *Stone & Signal*, and publishes academic research and policy proposals on digital infrastructure, occupational health, and environmental governance. His work asks hard questions about ecology, technology, and what it means to be human.

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