

Trump's Push for U.S. Jobs May Spur Boom in 'Corporate Welfare'

By

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- Wisconsin Foxconn deal largest offered by Republican governor
- Koch political network opposes deals on free-market grounds

S&P Economist Sees Solid Economy, Expects Small Tax Cut

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President Donald Trump's quest to open more factories and corporate headquarters in the U.S. scored a major [win](#) Thursday as Wisconsin lawmakers approved the biggest corporate subsidy [package](#) ever awarded to a foreign company.

But if Trump's policies -- including his call to slash the corporate income-tax rate to 15 percent -- succeed in spurring more U.S. plant openings, the \$3 billion in state aid that Wisconsin ponied up for [Foxconn Technology Group](#) may be only the beginning. Some analysts foresee a rush of new state-level subsidies and tax breaks as governors compete for any new facilities built by companies suddenly flush with newfound tax savings.

Call it tax reform in reverse -- a prospect that doesn't please portions of Trump's base, or deep-pocketed conservative donors, who equate such sweetheart deals to "corporate welfare."

"You had this pre-existing condition and now it has been put on steroids," said Greg LeRoy, executive director of Good Jobs First, a nonpartisan research group in Washington that tracks subsidies and is critical of large incentives. "We have never had a president in the post-war period who has ever explicitly blessed the war among the states for jobs."

Yet that's just what Trump did in the case of Foxconn, which now awaits Wisconsin Governor Scott Walker's signature on the biggest subsidy package ever backed by a Republican governor. The factory, which will produce LCD display monitors and employ as many as 13,000 people, will be in the home district of House Speaker Paul Ryan, who personally lobbied Trump to help secure the plant.

The deal -- and the prospect of more like it -- has irked some of the same conservatives who have championed Trump's push to remove special corporate loopholes in an overhaul of the federal tax code being debated by Congress.

Koch Brothers

“It is a difficult issue to win on with Republicans,” said Tim Phillips, president of Americans for Prosperity, the group affiliated with billionaires Charles and David Koch. “They are in so many cases hypocritical.”

Many Republican governors will “rightly work to reform social welfare programs,” but will still support “welfare for some of the wealthiest corporations in the country,” Phillips said.

It’s not clear that Trump and congressional Republicans will be able to foster a building boom for new U.S. manufacturing plants. Economists disagree on whether a large tax cut by itself would lead companies to invest in new facilities. For one thing, many firms already use existing federal tax breaks to slash their effective rates far below the 35 percent statutory rate.

A [report](#) last month by the left-leaning Institute for Policy Studies examined 92 profitable U.S. companies that used such strategies to cut their effective tax rates to less than 20 percent from 2008 through 2015. The firms’ median job growth over that period was -1 percent, compared with 6 percent for U.S. private-sector firms as a whole, the report said. More than half the 92 companies eliminated jobs.

But proponents argue that a lower U.S. tax burden would make companies more likely to build plants in America instead of overseas. And they say other provisions under consideration -- such as letting corporations [write-off](#) their spending on plants and equipment more rapidly -- would provide additional incentives to invest and hire.

Trump’s Involvement

Even [before](#) he was sworn in, Trump got behind \$7 million in Indiana tax cuts for heating and cooling manufacturer Carrier Corp. as part of trying to at least temporarily keep about 730 jobs in the state. His actions prompted former Alaska Governor Sarah Palin, an early Trump campaign supporter, to [call](#) the deal “corporate welfare” and “crony capitalism.”

Eight months later, Trump showcased the Foxconn deal at the White House as he sought credit for his administration’s role in a job-boosting project for a state critical to his re-election prospects. Foxconn had identified several states -- including Michigan, Ohio and Wisconsin -- as potential sites and Jared Kushner, Trump’s son-in-law, was among the White House officials who facilitated meetings between executives and state officials.

Negotiations were left to Foxconn leaders and state officials, and Wisconsin officials have said they weren’t the highest offer on the table. Left unsaid by the president and Walker is that it will take at least 25 years for the state to recoup the money it pays out in credits to Foxconn, nonpartisan [estimates](#) show.

More incentive deals are already in the works. Roughly a dozen states are vying for a plant [Toyota Motor Corp.](#) and [Mazda Motor Corp.](#) are expected to announce jointly in early 2018 that could result in as many as 4,000 jobs. And last week’s [announcement](#) that [Amazon.com Inc.](#) is looking for a second corporate headquarters that could eventually house 50,000 workers already has Chicago, Boston and other cities competing.

Walker's support for Foxconn angers Bob Fettig, a metal fabrication company owner in Wisconsin who typically has supported the governor and donates at least \$100,000 a year to the Koch network.

'Winners and Losers'

"This is a perfect example of cronyism and to me it's disgusting," he said. "It's a waste of taxpayer's money and is picking winners and losers."

Frayda Levin, a former book distributor in New Jersey who serves on the national board of Americans for Prosperity and the conservative Club for Growth, said it's "heartbreaking" to see Republican governors embrace "corporate giveaways."

"Once you tell one child they can have candy, all the rest are going to ask for candy, too," said Levin, who also contributes at least \$100,000 a year to the Koch network. "Sadly, in this case, it's only the big bullies who get the candy."

While she'll continue to support Walker, Levin said, Foxconn makes her less eager to do so. "On the margin, you give less support, you are less enthusiastic, you are less complimentary," she said.

Tom Evenson, a Walker spokesman, said it's hard to avoid tax breaks when virtually all other states use them. "Wisconsin is not unique in terms of competing for major industries and is not about to disarm given its success," he said.

In Iowa, Republican Governor Kim Reynolds had been in office less than three months before she got behind a more than \$200 million local and state incentive deal in August for [Apple Inc.](#), which plans to build a data center that's expected to initially create 50 jobs.

Kentucky Republican Governor Matt Bevin supported \$40 million in tax incentives that went to Amazon, as part of a cargo hub project that calls for the company to invest \$1.49 billion and bring nearly 3,000 new jobs. Bevin, like Walker, has strong ties to the Koch network and has appeared at their donor events.

Largest Economic Subsidy Packages in Modern U.S. History

Rank	Recipient	Subsidy value (in billions)	Year	State	Description	Agency
1	Boeing	8.70	2013	WA	aircraft manufacturing	state legislature
2	Alcoa	5.60	2007	NY	aluminum plant	New York Power Authority
3	Boeing	3.24	2003	WA	aircraft manufacturing	state legislature
4	Foxconn	3.00	2017	WI	LCD manufacturing	state legislature
5	General Motors	2.34	2009	MI	automobile assembly	multiple
6	Ford Motor	2.30	2010	MI	various automotive	Michigan Economic Development Corp.
7	Sempra Energy	2.19	2013	LA	LNG export facility	Commerce & Industry Board
8	Nike	2.02	2012	OR	retention of company	state legislature
9 (tie)	Intel	2.00	2004	NM	computer chip plant	multiple
9 (tie)	Intel	2.00	2014	OR	semiconductor manufacturing	multiple

Sources: Good Jobs First (nonpartisan, nonprofit research group), Bloomberg research

Bloomberg 

Mark M. Sweeney, a partner at a South Carolina consulting firm that advises companies on winning location incentives, said every few years a new governor will make a pledge to try to improve their state's overall business environment and move away from incentives. It typically doesn't work, he said.

“When it comes to closing a deal, those states find themselves without the tools to do so,” said Sweeney, whose firm advised [Boeing Co.](#) on a \$8.7 billion incentive package with the state of Washington in 2013.

“It makes you more attractive for future investment,” he said. “The benefits spill way beyond the individual company.”

Sweeney mocked opposition to tax breaks on philosophical grounds by lawmakers in Washington and political donors. “Governors actually have to get some stuff done,” he said.