

BUSINESS INSIDER

Trump Gets a Big Win With Carrier, but Some Conservatives See a Loss

Rob Garver

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President-elect Donald Trump claimed a big win Wednesday when he announced he had successfully pressured Carrier Corporation not to move some of its production facilities from Indiana to Mexico. While the company will still shift some production south of the border, the change of plans will save about 1,000 jobs in Indiana. Trump plans a celebratory visit to the state on Thursday.

While the circumstances of the arrangement aren't clear -- there appears to have been some sort of state-level tax relief offered to the company -- the implications are troubling to advocates of free trade and laissez-faire capitalism. Carrier's parent company, United Technologies, also likely saw some benefits to currying favor with the incoming president -- its defense contracts with the federal government are worth tens of billions of dollars. Analysts said the company stood to lose out on millions in savings by leaving some production in Indiana, even with the tax savings on offer.

The Carrier deal marks the second time in a matter of weeks that Trump has announced that he had personally intervened to change the decision-making of a private sector company. On November 17, he took credit for a change in plans by Ford that prevented a production line for the Lincoln MKC sport utility vehicle moving from Kentucky to Mexico. (Though Trump suggested he had saved jobs, Ford's original plan had been to make a different vehicle at the same Kentucky plant.)

"This is not a precedent we want to see -- American presidents aren't supposed to interfere on behalf of individual companies," said David Boaz, executive vice president of the Cato Institute, a libertarian think tank in Washington.

"When the president does it himself it makes clear that this is a crony economy, to benefit the president's friends, and that individual companies can be subject to pressure and punishment directly at the hands of the president. That's not something that normally characterizes a democratic or republican form of government."

He added, "Frankly, it brings to mind the term 'banana republic.'"

In general, the federal government has tried to avoid implementing what's known as industrial policy in the United States. And U.S. lawmakers over the years have frequently railed at the country's economic competitors, like Japan, who have used government policies to give a competitive advantage to a specific industry.

However, there have been forays into something like industrial policy in the past: John F. Kennedy, in 1962, bullied the steel industry into backing down on a price increase. Twenty years later, Ronald Reagan would slap 100% tariffs on some Japanese electronics, and pressure Japanese carmakers to voluntarily reduce the number of vehicles they were exporting to the U.S.

But such moves have, historically, been relatively rare in the U.S., compared to other countries, and a president's personal intervention into an individual company's decision-making process is all but unheard of.

On Wednesday morning, though, two key Trump appointees -- prospective Treasury Secretary Steve Mnuchin and his counterpart at the Commerce Department, Wilbur Ross -- celebrated the Carrier deal on [CNBC](#) and made it clear that this will be business as usual in a Trump administration.

Ross called the deal a "great present from the president -- here we have a trade victory before we even come into office."

Mnuchin added, "This started because the president-elect called up the CEO of United Technologies [Carrier's parent company] and said, 'It's important to keep jobs here.' Wilbur and I will continue that."

Representatives of the business-friendly U.S. Chamber of Commerce and the Competitive Enterprise Institute declined to comment on the question of whether, as a matter of policy, the president ought to be getting involved in firms' business decisions. There was no response to a request for comment from the Business Roundtable.

But to Boaz at Cato, the pitfalls seem painfully obvious.

"It may backfire on President Trump, because he can do this once or twice but he can't do it consistently without really screwing up the economy," he said. "Part of this is the president picking individual groups of workers and saying, 'I will help them' without a sense of what that does to the economy as a whole.

"Once you do it, then you're going to have people in Ohio saying, 'Why don't you stop this company from moving its plant? Why'd you do it for Carrier and the workers in Indiana, but you're not doing it for the workers in Ohio?'"

He warned, "If other companies start calling Wilbur Ross and saying, 'He did it for Carrier, can't he do it for us?' then it will introduce real inefficiency into the economic system and into the decisions of investors."

There is also a real question as to whether Trump could affect companies' decision-making on a regular basis if he really is inclined to try. The Carrier deal may have been easier than most

because of a combination of United Technologies' reliance on federal contracts and the fact that Trump's vice president, Mike Pence, is currently the governor of Indiana.

It's not clear that Trump would have similar leverage over a different firm in a different state.

Carrier, in a statement late Wednesday, said the change in its plans "is possible because the incoming Trump-Pence administration has emphasized to us its commitment to support the business community and create an improved, more competitive U.S. business climate. The incentives offered by the state were an important consideration."

The company also said, "This agreement in no way diminishes our belief in the benefits of free trade and that the forces of globalization will continue to require solutions for the long-term competitiveness of the U.S. and of American workers moving forward."