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Trump's tweet shaming startles corporate America

The president-elect is quickly putting the bully in the bully pulpit.

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For corporate America, Donald Trump is quickly putting the bully in the bully pulpit.

The president-elect has already singled out Rexnord, Carrier and Ford Motor for attacks over their plans to ship jobs out of the United States.

And on Tuesday he lashed out at aerospace giant Boeing over what he described as the bloated cost of the company's contracts to build presidential planes. His comments initially slammed Boeing's stock price and those of defense contractors across the board and sent shock waves through boardrooms nationwide as chief executives worry they will wind up in Trump's cross hairs.

The concern among executives and free-market conservatives is that Trump will tweet first and ask questions later if he hears about plans he doesn't like, potentially hitting stock prices, turning public opinion against companies before they have a chance to explain themselves and chilling investment.

It's a unique dilemma for corporate chiefs accustomed to more gentle treatment, especially from historically pro-business and pro-free trade Republican presidents.

"It's the president of the United States, the man with the biggest microphone in the world, who just might suddenly one day single you out for abuse," said David Boaz, executive vice president of the free-market Cato Institute. "This is like being Tylenol and discovering someone has poisoned your product. It's a sudden shock that will cause companies to be more conservative, more cautious. It hurts the broader economy because these companies won't be seeking to maximize their own profit and solvency."

Trump's highly aggressive approach — which includes threats of heavy tariffs on U.S. companies that make products outside the country — represents a sharp historical break from recent presidents, especially Republicans, who took a more hands-off approach and generally avoided direct criticism of individual companies.

"What we've seen from Republican presidents is mostly cheerleading for those companies that are performing well. Going after individual companies and making them out as evil-doers is not really the American style," said Larry Jacobs, a presidential historian at the University of Minnesota.

“What Trump is doing is giving the kind of rough treatment that is historically reserved for foreign leaders,” he said. “These are publicly traded companies responsible to shareholders and under tremendous global pressure, and that’s what they are responding to.”

It’s also the kind of corporate-bashing more associated with Democratic presidents, including Barack Obama. In 2009, Obama and congressional Democrats ripped financial services companies for holding corporate gatherings at far-flung luxury resorts even as they sought government bailouts or struggled with falling share prices, leading to an in-person plea to Obama to tone down his rhetoric.

Now Trump is taking up the mantle of corporate brow-beater.

In the case of Boeing, Trump on Tuesday morning tweeted: “Boeing is building a brand new 747 Air Force One for future presidents, but costs are out of control, more than \$4 billion. Cancel order!”

He followed up with brief remarks at Trump Tower. “The plane is totally out of control,” he told reporters. “I think it’s ridiculous. I think Boeing is doing a little bit of a number. We want Boeing to make a lot of money but not that much money.”

Boeing shares immediately took a hit but recovered by early afternoon as the company began to explain itself. Boeing said it doesn’t actually have contracts to build new Air Force One planes yet and only has development deals worth \$170 million.

“We are currently under contract for \$170 million to help determine the capabilities of these complex military aircraft that serve the unique requirements of the President of the United States,” Boeing spokesman Todd Blecher said in a prepared statement. “We look forward to working with the U.S. Air Force on subsequent phases of the program allowing us to deliver the best planes for the President at the best value for the American taxpayer.”

The White House also took issue with Trump’s figures. Spokesman Josh Earnest told reporters that the \$4 billion figure cited by the president-elect did not match up to current arrangements between Boeing and the Defense Department.

Criticism aside, some analysts think Trump might be using Twitter as an effective weapon to take on the military-industrial complex. By calling out Boeing, he could win a better deal for taxpayers from a sole-source contractor, said Mark Cancian, a former Office of Management and Budget official now at the Center for Strategic and International Studies.

“As a negotiating strategy it might work. It might push the Air Force to go back to Boeing and renegotiate the contract,” Cancian said. “If I were the Air Force, I’d be thinking of going back to Boeing to see if there are ways to reduce the costs.”

Trump’s tweet about canceling the project altogether “is probably his going-in position,” Cancian said. “He probably felt politically awkward flying around in what some people might call a gold-plated airplane.”

It was not Trump’s first broadside against an individual company. He took on United Technologies, parent company of air conditioner-maker Carrier, over plans to ship jobs from

Indiana to Mexico. Carrier ultimately won \$7 million in tax incentives to keep about 1,000 jobs in Indiana.

Last week, he went after West Milwaukee-based Rexnord over plans to move jobs from Indiana to Mexico. "Rexnord of Indiana is moving to Mexico and rather viciously firing all of its 300 workers. This is happening all over our country. No more!" Trump tweeted.

Trump regularly went after Ford on the campaign trail for the automaker's production of cars in Mexico. The company's executive chairman, Bill Ford, tried to make peace with the president-elect in November and said Ford would not move a Lincoln sport-utility vehicle plant from Kentucky to Mexico.

But Trump's attacks have other executives and business groups worried that they will be singled out for making moves dictated by the marketplace and demanded by shareholders. They also fear that the incoming president won't have all the facts straight before he takes to Twitter to vent his outrage.

"I might think it was a very good idea not to build an Air Force One," said Boaz. "As a fiscal conservative, I'm like, 'OK, cool.' But there are still procedures and rules of law. I don't see tweeting as a good way for the president to express policy judgments."

Another big concern for executives is that Trump's aggressive approach will be politically popular, leading him to make it a regular feature. There are signs that this is already happening. In a new Morning Consult/POLITICO national poll, 60 percent of voters said Trump's Carrier intervention made them view the president-elect more favorably. The poll found that 56 percent approved of presidents negotiating deals with companies on a case-by-case basis.

Still, Trump's approach is at odds with those of many Republicans in Congress, who prefer to address incentives for companies to move production abroad through broad policy changes, including sweeping corporate tax reform, rather than individual attacks and tariff threats.

"There are other ways to achieve what the president-elect is talking about, but the only way you can do any of this is you've got to have tax reform," House Majority Leader Kevin McCarthy told reporters on Monday.

House Speaker Paul Ryan also gently rebuked Trump's approach in an interview with the Milwaukee Journal Sentinel. "We can get at what he's talking about through smart tax reform," he said. "What his concern is, is legitimate — American companies are moving overseas, are shifting headquarters and factories overseas."

Trump on Tuesday also employed the carrot part of the carrot-and-stick approach with SoftBank of Japan. "Masa (SoftBank) of Japan has agreed to invest \$50 billion in the U.S. toward businesses and 50,000 new jobs," he tweeted shortly after Masayoshi Son, CEO of the company, arrived at Trump Tower in New York around 1:15 p.m. "Masa said he would never do this had we (Trump) not won the election!" Trump added.

In brief remarks to reporters flanking Trump, Son hailed the president-elect. "I just came to celebrate his new job," Son said. "I said, 'This is great, the U.S. will become great again.'" Son said his company would create jobs by investing in startups in the U.S.

It all added up to a dizzying series of events for companies and industries trying to game out their place under Trump's administration.

Initially, defense contractors like Boeing expected to do well, given Trump's support for spending more on the military. But now there is concern that his effort to cut costs could eat into profit margins on government contracts.

Trump was also supposed to be better for the pharmaceutical industry than Democratic nominee Hillary Clinton, who had vowed to go after price "gouging" by drugmakers. But Allergan Plc CEO Brent Saunders said at a conference last week that Trump could be even more "vicious" toward the industry than Clinton.

"I worry today that the pharmaceutical industry has a very false sense of relief or security because of a Trump administration and Republican-controlled Congress," he said at the Forbes Healthcare Summit.