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Romney's "Crony Capitalism": Bain's Big Government Subsidies

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In recent days Mitt Romney has strenuously [defended](#) his tenure at Bain Capital, defending his former employer as a classic success story of free market capitalism and lambasting his [opponents](#) on the left and right for practicing the "bitter politics of envy."

In his New Hampshire primary [speech](#), Romney claimed that "President Obama wants to put free enterprise on trial" and "turn America into a European-style entitlement society." In Romney's telling, Obama relies on government for his solutions while Mitt draws his inspiration from the power of the free market. There are winners and losers in the free market, this argument goes, and it's not the government's job to determine who they are. At a recent debate, Romney said that government "by and large...gets in the way of creating jobs."

But a closer look at Bain's record under Romney reveals that the company relied on the very government subsidies that Romney and Tea Party conservatives routinely denounce as "crony capitalism." The [Los Angeles Times](#) ran a big story yesterday about Bain's investment in Steel Dynamics, which received \$37 million in subsidies and grants to build a new plant in DeKalb County, Indiana. An analyst at the Cato Institute called it "corporate welfare."

Romney has recently pointed to Steel Dynamics as one of his success stories at Bain, including in a [new ad](#), which contributed to the 100,000 net jobs he's claimed to have created at the firm (an incorrect figure he's subsequently had to [walk back](#)). He never mentions that government subsidies played a major role in ensuring that success.

Phil Mattera, research director for [Good Jobs First](#), provides a few more examples of the government subsidies Bain received during Romney's tenure at his blog, [Dirt Diggers Digest](#).

GS Industries. In 1996 American Iron Reduction LLC, a joint venture of GS Industries (which had been taken private by Bain in 1993) and Birmingham Steel, sought some \$20 million in tax breaks in connection with its plan to build a plant in Louisiana's St. James Parish ([Baton Rouge Advocate](#), April

6, 1996). As the United Steelworkers union noted recently, GS Industries later applied for a federal loan guarantee, but before the deal could be implemented the company went bankrupt.

Sealy. A year after the 1997 buyout of this leading mattress company by Bain and other private equity firms, Sealy received \$600,000 from state and local authorities in North Carolina to move its corporate offices, a research center and a manufacturing plant from Ohio (*Greensboro News & Record*, March 31, 1998). In 2004 Bain and its partners sold Sealy to another private equity group.

GT Bicycles. In 1997 GT, then owned by Bain and other investors, decided to move its manufacturing operations to an enterprise zone in Santa Ana, California. Being in the zone gave the company, which was later purchased by Schwinn, special tax credits relating to hiring and the purchase of equipment (*Orange County Register*, July 9, 1999).

These subsidies didn't always provide the return states and localities were looking for. Seven hundred and fifty workers lost their jobs, for example, after Bain took over [GS Industries](#). "They walked out of here with millions," [said](#) one former steelworker. "They left us with nothing."

[Sealy](#), another company cited by [Mattera](#), moved its headquarters from Cleveland to Greensboro after Bain's investment to take advantage of the generous government subsidies, a fact that is not likely to endear Romney to Ohioans.

There are likely other examples of Bain profiting from these type of subsidies, along with a host of unanswered questions. How much did Bain-owned companies receive in total government subsidies? Did Bain take public money and then lay off workers? Did Romney seek these subsidies out?

Romney will no doubt try to channel Reagan in the coming campaign, echoing, in one form or another, the Gipper's famous refrain that "government is not the solution to our problems; government is the problem." Romney, based on his own compromised history, will have a tougher time making that argument.