



Trump's 'Made In America Week' Inadvertently Highlights Corporate Welfare

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Even as a centerpiece of his policy agenda—the repeal and replace of Obamacare—was going down in flames in the Senate, President Donald Trump appeared to be having fun.

He donned a white Stetson hat. He climbed into the cab of a bright red fire truck parked on the White House lawn. He swung a golf club and admired a baseball bat.

It was a made-for-TV moment—"Made In America Week," the White House's celebration of domestic manufacturing—but it wasn't all for show. Trump was promising to implement policies, like a new tax on foreign-made goods and a restructuring of the North American Free Trade Agreement, that will help some companies based in America even as they hurt other businesses and consumers.

Trump, surrounded by props large and small, promised he was fighting for a "level playing field" for American-made products. "But," he said, "if the playing field were slanted a little bit towards us, I'd accept that also."

As it turns out, some of the businesses invited to the White House this week already have the playing field slanted—in some cases quite dramatically—in their direction.

A Reason review of the 50 businesses invited to Trump's "Made in America" event reveals that 21 of them have received some form of government grant, subsidy, loan guarantee, or other economic incentive since 1997, according to records aggregated by Good Jobs First, a union-funded nonprofit that opposes corporate welfare.

Running the names of the 50 businesses through the "subsidy tracker" database maintained by Good Jobs First revealed more than 870 records of individual handouts totaling more than \$598 million in spending at the local, state, and federal level.

Those subsidies take several forms. More than 300 of them are direct grants, totaling more than \$325 million in pure subsidies that shift tax dollars from government coffers to businesses' bottom lines.

Another 144 are loans, in which the federal or state government take on the role of banks and dole out investment cash with taxpayers as the ultimate backstop on defaulted payments. Most of the rest are various kinds of tax breaks, a hidden form of subsidy that doesn't show up on

government budgets but rewards certain businesses at the expense of everyone else—and serves as a subtle acknowledgement that taxes are too high.

"There are virtually no credits in federal or state tax law that are sensible tax policy," says Chris Edwards, director of tax policy for the libertarian Cato Institute. "The fact that states 'need' special breaks to those taxes is an admission by the politicians that the general tax rates are too high and are scaring away businesses. But then the solution is cutting overall rates, not just cutting for a narrow group of favored businesses."

While 21 of the 50 invitees have benefitted from government assistance in one form or another, most have only dipped into public coffers a few times. The Montana-based Simms Fishing Products, for example, has collected more than \$400,000 from federal and state subsidy programs since 2011. Ames Tru Temper, a Pennsylvania-based maker of wheelbarrows and other small-scale farming equipment, collected more than \$3.3 million in grants and tax breaks since 2003.

But the White House also invited some of the biggest players in the corporate welfare game.

Take Caterpillar, the Illinois-based manufacturer of earth movers and other heavy trucks. Over the past 20 years the Department of Commerce, Department of Defense, Department of Energy, and various other federal and state agencies have given Caterpillar 200 grants valued at more than \$155 million in direct taxpayer assistance.

All this to a company that generated \$38 billion in revenue last year. A majority of those grants have funded Caterpillar's research and development of new technologies.

Caterpillar also received more than \$17 million in government grants for a subsidiary company, Solar Turbines Inc., records show, again mostly for research and development.

According to Good Jobs First's database, Caterpillar has also received dozens of tax breaks from state and local governments. That includes a \$77 million incentive package from Georgia (as part of a 2012 deal that included Caterpillar agreeing to build a new manufacturing facility in the state), and a \$45 million tax credit from the Indiana Economic Development Corporation in 2006.

Caterpillar is one of the largest recipients of government largesse to be invited to the White House this week, but it is hardly alone.

If not for Caterpillar, Sikorsky Aircraft Corporation might have been the posterchild for corporate welfare on display Tuesday. The Connecticut-based helicopter manufacturer is a subsidiary of Lockheed Martin, which pulled in more than \$36 billion from U.S. government defense contracts in 2015.

Sikorsky isn't exactly struggling. It has received more than \$146 million in direct government grants since 1997, according to the Good Jobs First database, including a \$12 million grant in 2015 and a \$9 million grant in 2016 for research and development.

"Ridiculous," says Edwards. "American companies should be doing their own research and development."

Those grant programs create a circular relationship between the federal government and the companies lucky enough to get the hand-outs. Caterpillar and Sikorsky pocket millions in research and development grants, offsetting costs that competitors must fund on their own, given them a marked advantage selling that same tech back to the government.

Caterpillar and Sikorsky easily lapped the field at this week's Made In America event, but other invitees have done quite well for themselves on the government dole.

Campbell's, the iconic soup brand based in New Jersey, has received more than \$44 million in grants and loans from state and federal sources over the past 20 years. The largest was a \$31 million tax break through New Jersey's Urban Transit Hub Tax Credit Program in 2011.

Steinway and Sons, the maker of handcrafted pianos, has tapped the New York City Industrial Development Agency for more than \$21 million since 1999.

"Too often 'Made in America' is a cover for subsidized with socialism," says Adam Andrzejewski, founder and CEO of Open The Books, a pro-transparency, anti-cronyism nonprofit. "Supporting American businesses that expand opportunity is laudable, but lavishing high-end companies with federal funds comes at a high cost to taxpayers."

So many iconic American brands supported by the government begs an almost accidental question: What does it mean to be "Made In America"?

"If you were successful, somebody along the line gave you some help," President Barack Obama said in July 2012 during a campaign rally in Roanoke, Virginia. "Somebody helped to create this unbelievable American system that we have that allowed you to thrive. Somebody invested in roads and bridges. If you've got a business – you didn't build that. Somebody else made that happen."

Played repeatedly on Fox News and viral on conservative news outlets, the clip was taken by his critics as irrefutable evidence that Obama was completely out-of-touch with the American working class, that he had no idea what he was talking about because he'd never held a private sector job, or that he was, simply, a socialist.

Reaction to those comments explains, at least in part, why many conservative Republicans backed Trump's candidacy. Here was a man who outwardly embodied a free market ethos that repudiated Obama's remarks. Trump presented himself as man who achieved great things without much help from the government.

That Trump was nominally a builder only made the metaphor more complete.

Now in the White House, Trump doesn't say American businesses can't have success without help from the government as Obama once did. But in what he does he is saying the same thing.

It's not just inviting companies that have made millions off of taxpayers to a free promotional event on the White House lawn. It's the talk of tariffs, of walls, of threatening manufacturers that consider moving to another country, and of rewarding those who say they will stay.

"Cronyism is one of the biggest threats, I think, to capitalism," Veronique de Rugy, a senior research fellow for the Mercatus Center at George Mason University, said in an interview Wednesday.

Businesses that drink from the government tap begin to "arrange their business activities based on what the government will give them, and that's not the best way to run a business," she said.

Once they do that, they become invested in keeping the subsidies flowing. Government assistance becomes part of the business model.

And governments have been happy to play along.

"Every state seems to have an 'Economic Development Administration' or similar agency which are corporate welfare machines," Edwards said Wednesday. "The fact that states 'need' special breaks to those taxes is an admission by the politicians that the general tax rates are too high and are scaring away businesses. But then the solution is cutting overall rates, not just cutting for a narrow group of favored businesses."

A landmark investigative report by the New York Times in 2012 found state governments were giving away \$80 billion every year through 1,874 different economic development programs. A 2014 review of state expenditures by the American Legislative Exchange Council found \$228 billion in tax breaks for individuals and businesses. Neither of those reports count federal subsidies, like the grants that result in so much taxpayer money flowing to the likes of Caterpillar and Sikorsky.

Caterpillar made the Times' list of 48 companies that tallied over \$100 million in state-level grants since 2007.

A full accounting, as the Times reported, is nearly impossible "because the incentives are granted by thousands of government agencies and officials." The number of jobs created are rarely tracked and impossible to prove, and officials "acknowledge that it is impossible to know whether the jobs would have been created without the aid."

Indeed, there are so many incentive programs that one wonders whether the White House could find any set of 50 successful American businesses that have not been on the dole at one time or another.

In light of the companies he chose to promote and the policies he pushes, Trump's event may as well have been billed "Made With a Whole Lotta Help From the Government In America".

"Being pro-business rarely means making an effort to get all the barriers out of the way," says de Rugy. "What it usually means is we're going to put up barriers and hand-out special incentives."