Did Scott Walker and Donald Trump Deal Away the Wisconsin Governor’s Race to Foxconn?

As the public has become aware of the spiralling costs associated with building a new Foxconn plant in Wisconsin, the deal has become something of a political liability for the governor.

By Dan Kaufman  November 3, 2018
In September of 2017, Governor Scott Walker, Republican of Wisconsin, signed a contract that would make his state the home of the first U.S. factory of Foxconn, the world’s largest contract electronics manufacturer. The company, which is based in Taiwan and makes products for Apple, Sony, Microsoft, and Nintendo, among others, would build a 21.5-million-square-foot manufacturing campus, invest up to ten billion dollars in Wisconsin, and hire as many as thirteen thousand workers at an average wage of fifty-four thousand dollars a year. For Walker, whose approval had fallen to the mid-thirties after his aborted Presidential run, the deal was seen as a crucial boost to his reelection prospects. “The Foxconn initiative looked like something that could be a hallmark of Walker’s reelection campaign,” Charles Franklin, a professor and pollster at Marquette University Law School, told me. “He could claim a major new manufacturing presence, one that would also employ blue-collar workers in a region where blue-collar jobs are more scarce than they used to be.”

The idea of putting the plant in southeastern Wisconsin originated in April of 2017, during a helicopter ride President Donald Trump took with Reince Priebus, a

Kim Mahoney and her husband, Jim. Photographs by Philip Montgomery for The New Yorker
Wisconsin native and Trump’s chief of staff at the time. Flying over Kenosha, Priebus’s home town, they passed the empty lot that once held the American Motors Corporation plant. “Why is all that land vacant?” Trump asked, according to an account Priebus gave to a Milwaukee television station. “That land should be used.” When Terry Gou, Foxconn’s chairman, came to the White House to discuss Foxconn’s desire to build a U.S. factory, Trump suggested the site in Kenosha. It wasn’t big enough, but the town of Mt. Pleasant, fifteen miles north, pursued the company aggressively, and was ultimately selected by Foxconn in October of 2017.

The project moved quickly. Last June, a groundbreaking ceremony was held in Mt. Pleasant to celebrate a political triumph for Trump and Walker. After depositing a couple scoops of earth with a gold-plated shovel, Trump called Foxconn’s future campus “the eighth wonder of the world” and hinted that its promise of well-paying manufacturing jobs could be a model for other states in the Midwest, which were, like Wisconsin, crucial to Trump’s narrow Electoral College victory in the 2016 election. “I recommended Wisconsin, in this case,” Trump said. “And I’ll be recommending Ohio, and I’ll be recommending Pennsylvania, and I’ll be recommending Iowa.”

But as the public has become aware of the spiralling costs for these jobs, the Foxconn deal has become something of a political liability for Walker, particularly among voters outside of southeastern Wisconsin. Those costs include taxpayer subsidies to the company totalling more than $4.5 billion, the largest subsidy for a foreign corporation in American history. Since Wisconsin already exempts manufacturing companies from paying taxes, Foxconn, which generated a hundred and fifty-eight billion dollars in revenue last year, will receive much of this subsidy in direct cash payments from taxpayers. Depending on how many jobs are actually created, taxpayers will be paying between two hundred and twenty thousand dollars and more than a million dollars per job. According to the Legislative Fiscal Bureau, a nonpartisan agency that provides economic analysis to the Wisconsin state legislature, the earliest citizens might see a return on their Foxconn investment is in 2042.
There are other costs that have contributed to public skepticism over the Foxconn deal. At Walker’s request, Scott Pruitt, then the head of the Environmental Protection Agency, overruled the objections of his staff to grant most of southeastern Wisconsin an exemption from limits on smog pollution. (Walker declined to respond to interview requests for this article.) The Wisconsin state legislature passed a bill granting Foxconn special court privileges; unlike other litigants, the company can make multiple appeals of unfavorable rulings in a single case, and can even appeal an unfavorable ruling directly to the conservative-controlled Wisconsin Supreme Court. But few costs have caused more outrage than the manner in which Mt. Pleasant’s Village Board of Trustees secured the twenty-eight hundred acres of land, roughly four square miles, necessary to build the Foxconn campus.

To make space for Foxconn’s development, which will also necessitate many miles of new roads, the Village Board has been buying properties, sometimes using the threat of eminent domain to force reluctant homeowners to sell at a price determined by the
Several weeks before the groundbreaking, the seven-member board went further. By a 6–1 vote, the board designated the entire twenty-eight-hundred-acre area “blighted,” which will allow Mt. Pleasant to issue bonds that are exempt from both federal and state taxes, and may also grant the village a more expansive use of eminent domain to seize the property of the few remaining holdouts, a small if highly visible group, whose property-rights fight embodies a wider sense of disenchantment with the Foxconn deal.

The agreement’s high cost, estimated at nearly eighteen hundred dollars per household, has created a heavy burden for taxpayers, and a political risk for Walker. After the terms were announced, last year, Governor John Kasich, Republican of Ohio, said, “I’ll tell you one thing, it’s not going to take us forty years to make back the investment we make. We don’t buy deals.” A majority of Wisconsin voters have never believed the state was getting its money’s worth, according to polls conducted by Franklin at Marquette. His polling has also consistently shown a majority of voters believe that Foxconn will not help businesses in their area. “The governor’s fortunes are so tied up with his backing of Foxconn,” Franklin said. “When it was first announced it was, in the short term, perceived as this major victory for Walker, the thing that might solidify its hold on the election.” Now Foxconn is one of the main reasons Walker has trailed his Democratic opponent, Tony Evers, the state superintendent of schools, in nearly every poll since the August primaries.
Mt. Pleasant is a middle-class suburb of Racine, a gritty industrial city on the shore of Lake Michigan twenty miles south of Milwaukee. In the three months since the groundbreaking, portions of the town, which is home to about twenty-six thousand people, have changed dramatically. Prairie View Drive marks one edge of the first phase of Foxconn’s construction. When I turned onto the street last month, a black windscreen fence separated a vast dusty field from the empty houses of a new subdivision now slated to be destroyed. All but one of the surrounding homeowners have agreed to settle: Kim Mahoney, her husband, Jim, and their thirteen-year-old daughter Reese are the last holdouts.
When I pulled up to the Mahoneys’ place, Jim, a quality-control inspector for medical devices, greeted me in the driveway. He wore a Brewers jacket and pointed to an empty space where a house had been demolished the previous week. “Beautiful home,” he said, shaking his head. Jim led me in through the garage, past a “Stop Eminent Domain” sign that Kim had made for a protest. The Mahoneys’ spotless eighteen-hundred-square-foot home has an eat-in kitchen, a stone fireplace, and a large corner sofa with built-in cup holders. “We picked this floor plan because we love to entertain,” Kim told me. During a quick tour of the house, the couple paused to look at the two towering Caterpillar excavators digging into the earth a hundred feet or so beyond Reese’s bedroom window. “You get used to the noise,” Jim said.

Kim, a forty-nine-year-old paralegal, grew up in nearby Sturtevant, and went to high school in Racine. She met Jim playing softball, and after a few drinks one St. Patrick’s Day, he asked her out. “The rest is history,” Kim said. The couple lived in Racine for several years, but Jim craved more space. In 2008, a few years after Reese was born, they bought the one-acre plot they live on now from a co-worker of Kim’s. The financial crisis slowed the sale of their old home, and the building of their new one, but in December of 2016, a modular-home builder in northern Wisconsin brought their current house down on two semis, and installed it.
Several months later, the Mt. Pleasant Village Board hired Alan Marcuvitz, one of Wisconsin’s leading eminent-domain lawyers. The project, dubbed “flying eagle,” was shrouded in secrecy. “I remember having a very critical meeting with the village board, and saying, ‘If you want to really go at this, you have to make up your mind to go at it full-bore,’” Marcuvitz told me. “There is no such thing as making a minor effort and expecting any kind of success.” Marcuvitz hired a realty firm in Kenosha to go door to door, offering large landowners fifty thousand dollars an acre, which was significantly above the going rate for land in the area. Some people declined to sell, Marcuvitz said, but most did, and the village soon secured seventeen hundred acres.

At her kitchen table, Kim described a conversation she had on October 7, 2017, three days after Foxconn selected Mt. Pleasant, with Jim Machnik, a land-acquisitions consultant hired by the village trustees. Machnik told Kim that the village planned to acquire her house through eminent domain for road projects. Kim asked how big the new road would be. Four lanes with a divider, a hundred and twenty feet, Machnik told her. “Our house is more than five hundred fifty feet away,” she said. Machnik told her she would not get access to the new road the village would be constructing. They’ll just leave you on an island, Kim recalls him saying. She told him that was illegal, that the village had to give her access to the road. Machnik then asked if she really wanted to continue to live in her house, surrounded by constant construction that would become an enormous manufacturing plant. “We’re not trying to stand in the way of your project,” Kim says that she told him. “We are willing to sell our house to you. But you can’t take it under eminent domain.” (Machnik’s spokesperson told me that Machnik “doesn’t recall precisely how the conversation went, but doesn’t think it would have been at that level of detail at the time.”)

A few days later, the Mahoneys received a letter from the village of Mt. Pleasant that read, “You are receiving this letter because you are the owner of a parcel of land affected by the planned road improvement projects.” The letter noted that “Village acquisitions”—in this case, the Mahoney’s new home—were subject to “eminent domain procedures,” and that a “relocation specialist” would be reaching out. It was signed by Claude Lois, the Foxconn project director hired by Mt. Pleasant.

Kim reached out to her political representatives, including her congressman, Speaker of the House Paul Ryan. “His response was: this is not a federal issue,” Kim said. “And
that I should reach out to my state representatives.” That surprised her. In 2005, Ryan co-sponsored the Private Property Rights Protection Act, which was written in reaction to the Supreme Court’s decision in Kelo v. City of New London. That ruling allowed New London, Connecticut, to use eminent domain to take several homes for an economic-development project. “When someone works years to secure a home or establish a successful family store or restaurant, only to be forced by the government to give it up so a corporation can redevelop the land, that’s wrong,” Ryan said in a statement supporting the measure. The bill passed the House, 376–38, but failed in the Senate. (Ryan also attended Foxconn’s groundbreaking ceremony in Mt. Pleasant.)

Sean McFarlane and his sons have been living in temporary housing, supplied by the village of Mt. Pleasant, with no working furnace or septic tank, after McFarlane’s mother’s home was bought and demolished to make way for the Foxconn development.
The same year, Wisconsin passed its own law in response to Kelo, co-sponsored by Leah Vukmir, now the Republican U.S. Senate nominee. It outlawed the use of eminent domain to seize a property for use by a private corporation, with one exception: if the property was “blighted.” Kim believes the state law was written in such a way as to protect a new home like hers—it defined blighted property as one that is “detrimental to the public health, safety, or welfare.” However, the Village Board has relied on a different statute, one that applies the designation for property that, among other things, “impairs or arrests the sound growth of the community.”

“From the beginning, the village basically wrote off the residents,” Kim told me. “We’re just in their way, we’re an annoyance. And that’s just wrong because they’re not supposed to be representing the interest of a wealthy foreign corporation. They’re supposed to be representing the interest of their constituents.”
Racine’s mayor, Cory Mason, was a Democratic state representative when the Foxconn agreement came before the legislature. Despite past battles with Walker over his attacks on labor unions, Mason was one of three Assembly Democrats, all from southeastern Wisconsin, to vote for the deal. “It was a difficult vote,” Mason told me. “But I go back to why I ran for office in the first place, the reason I hear over and over again knocking on doors: people are looking for the economic security that comes with a good middle-class job. At the end of the day, that’s what Foxconn represents for me.”

In the decades leading up to the 2008 financial crisis, which left unemployment in Racine at nearly twenty per cent, well-paying manufacturing jobs vanished in alarming numbers: the Horlick malted-milk factory, the Racine Steel Castings foundry, the Jacobsen lawnmower factory are all now boarded-up shells. Several thousand people once worked in Case’s massive tractor plant, in a city whose population peaked, in 1970, at ninety-five thousand. The plant was demolished in 2004. “We’ve lost more than fifteen thousand good manufacturing jobs in this area over the course of a generation,” Mason told me. He singled out free trade deals like NAFTA as “devastating” Racine. “Sometimes people use large national numbers and say, ‘Well, in the aggregate, these job losses are more due to automation,’ ” he said. “I can drive you around Racine and show you the empty spaces where factories used to be: none of them shut down because of automation. They shut down to go to Mexico, or China, or somewhere else.”
A former J. I. Case building on Racine’s Machinery Row.
Racine’s mayor, Cory Mason.
For Mason, Foxconn represents a rare opportunity to revitalize his struggling home town. “We’re seeing incumbent companies raise wages in anticipation of Foxconn potentially attracting their employees away,” Mason said. “And they’re talking about over eleven thousand construction jobs just to build the Foxconn facility. That’s before you talk about the hundreds if not thousands of jobs needed to expand the interstate, the jobs that will be needed to put in all the water-utility infrastructure.”

Mason reiterated Foxconn’s promise that it will eventually create thirteen thousand “permanent” jobs in Wisconsin. But the company recently changed the type of factory it plans to build, downsizing to a highly automated plant that will only require three thousand employees, ninety per cent of them “knowledge workers,” such as engineers, programmers, and designers. Almost all of the assembly work will be done by robots. Gou, Foxconn’s chairman, has said he plans to replace eighty per cent of Foxconn’s global workforce with “Foxbots” in the next five to ten years. The company still says it will hire thirteen thousand employees in Wisconsin, but it has fallen short of similar promises in Brazil, India, and Pennsylvania, among other places. Foxconn has already replaced sixty thousand workers who were earning roughly $2.50 an hour in China. Even the expansion of I-94, which is being done to accommodate Foxconn (and being paid for by Wisconsin taxpayers) reflects Foxconn’s faith in automation: the company and the Wisconsin Department of Transportation have discussed dedicating lanes to self-driving cars and trucks. (In a statement, a company representative said, “Foxconn is fully committed to our investment of at least $10 billion in building our state-of-the-art Wisconsin Valley Science and Technology Park in Wisconsin and to meeting all contractual obligations with the relevant government agencies.”)

Foxconn’s labor practices in China earned international notoriety in 2010, when workers at a plant in Shenzhen began committing suicide, mostly by throwing themselves off a high-rise dormitory. Two years later, a hundred and fifty workers at a different Chinese Foxconn plant stood on a roof of a factory building and threatened to commit group suicide to protest oppressive working conditions. (In addition to raising wages, making employees sign no-suicide agreements, and bringing in Buddhist monks to conduct prayer sessions on the factory floor, Gou installed safety nets around some of the factories to catch workers trying to kill themselves.) When I asked Mason about Foxconn’s track record in China, he said, “They aren’t talking about changing labor laws or labor standards here.”
Even if Foxconn eventually fulfills its commitments to Wisconsin, many economists believe it will still be a terrible investment for the state. In an editorial published on UrbanMilwaukee.com, William Holahan, a professor emeritus at the University of Wisconsin-Milwaukee business school, and Charles Kroncke, a former professor at the school of business at the University of Wisconsin-Madison, calculated that if Foxconn’s taxpayer subsidies were given to random entrepreneurs, the money would generate more than ninety thousand jobs. They note that Foxconn’s plant will be twenty miles from the Illinois border, so many employees will likely not be Wisconsin residents. And, they argue, it is impossible to consider the jobs created by Foxconn a net gain, because the company’s taxpayer subsidy is taking away billions of dollars from the public sector, where it might be used to repair Wisconsin’s deteriorating roads or hire teachers to fill out short-staffed rural schools. Already, ninety million dollars from the state transportation budget has been redirected from highway work in other parts of the state for Foxconn’s development.
If the economic impact of the Foxconn deal remains uncertain, its political meaning at the state and national levels is more clear. Among other things, the deal cemented Trump’s close relationship with Governor Walker, who was a diehard “Never Trumper” during the 2016 Presidential campaign, even announcing he was dropping out of the race to make room for a candidate that could stop Trump. Now, Walker has been reluctant to criticize the President, even when Trump called for a boycott of Wisconsin’s most iconic manufacturer, Harley-Davidson. Their bond was on display at a rally in the small town of Mosinee, in central Wisconsin, in October. “He ran against me in the primary,” Trump said, of Walker. “He was tough. He could be nasty. Wow, but he was tough. He was smart.” Trump went on: “I got him set up with an incredible company called Foxconn.” Walker followed suit, praising Trump’s role in directing the company to Wisconsin.

Regardless of who wins the governorship on Tuesday, the Foxconn deal will be extremely difficult to roll back. In an interview with the Kenosha News, Tony Evers criticized Walker’s agreement with the company, calling it “a Hail Mary pass and a bad deal for Wisconsin.” But, he added, “the contract has been signed, legislation passed into law, and dirt is being moved,” a signal, perhaps, that there is little political will to reconsider issues like the “blighting” of the Mahoneys’ and other residents’ land, despite their many protestations.

For Kim Mahoney, the issue reinforced her determination to keep fighting. She pointed to the Creuziger’s Land of Giants Pumpkin Farm, the last big holdout. The four-hundred-acre property has been in the Creuziger family for ninety-two years, but the family was ordered to vacate on October 8th. (After the Cruezigers challenged the move in court, the village withdrew the order, saying it won’t need the land for another year.) “If they’re allowed to do this, they can do this to anybody at any time,” Kim said. “Wisconsin’s eminent-domain laws and private-property-rights laws are meaningless. All they have to do is rezone it and call it blighted.” On my last visit with the Mahoneys, the big Caterpillar machines were working closer to their house than usual, and the noise was louder. Jim and I were standing outside in his driveway. A brilliant orange-red sunset lit up the horizon, but it was hard to escape the sound. “It used to be so quiet here,” Jim said.
Dan Kaufman is the author of “The Fall of Wisconsin: The Conservative Conquest of a Progressive Bastion and the Future of American Politics,” which was published in July. Read more »

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