OCTOBER 2019

ANSWERING AMERICA

THE BUSINESS CASE AGAINST TRUMP’S AGENDA

BUSINESSFORWARD
From 1992 through 2012, Iowa, Michigan, Ohio, Pennsylvania, and Wisconsin voted for the Democratic presidential candidate 27 out of 30 times. In 2016, Trump swept all five – largely because of the promises he made to save coal, build a wall, and put “America first.” Those ideas polled well in 2016 and remain popular today. Americans are right to ask whether we have room for more immigrants, whether a wall will make us safer, and what it will cost to fix our climate.

Nearly three years into Trump’s first term, Americans are also asking about Trump’s record. Did his “middle-class tax cut” actually help the middle-class? Are we winning these trade wars? Can Trump bring back the manufacturing jobs we lost?

And why is he cutting programs that make it easier for working women to plan and raise their families?

Most politicians argue about climate change in moral terms. Business leaders ask, “What does it mean for my bottom line?” Most think tanks argue over workplace equality as a civil right. Business leaders emphasize it as a $1 trillion market opportunity. Trump sees Muslims and Mexicans as a security threat. Business leaders see colleagues, customers, suppliers, investors, and competitors.

Our “business case” approach focuses on costs, return on investment, long-term trends, and what our competitors are doing. By doing so, we hope to re-establish common ground, work from the same set of facts, and rebuild the kind of political consensus real reform requires.

JIM DOYLE
PRESIDENT,
BUSINESS FORWARD FOUNDATION
About the Business Forward Foundation

The Business Forward Foundation is an independent research and education organization that takes a business-minded look at policy issues affecting America’s economic competitiveness. Our work combines insights and advice from tens of thousands of business leaders across the country with rigorous policy analysis. Through white papers, issue briefs, conference calls, and other events, we educate policy makers and the public about climate change, immigration reform, infrastructure investment, the future of work, and other critical issues.

Over 10 years, we’ve organized briefings with more than 150,000 local business leaders across the U.S. More than 650 mayors, governors, members of Congress, and senior Administration officials have participated, including two presidents, a vice president, and most of the women and men running for president.

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A NOTE ABOUT OUR SOURCES, APPROACH, AND FOCUS

WE PREFER DATA AND ANALYSIS FROM REPUBLICANS OR INDEPENDENT AGENCIES

It’s hard to convince undecided voters by citing sources they’ve been told to distrust.

Business Forward cites Business Roundtable, a national nonpartisan trade group that generally supports conservative policies, on immigration reform and CEO confidence. We cite Republican Congressman Will Hurd on border security, and Republican Senators Chuck Grassley and Pat Toomey on the cost of Trump’s trade war.


IN BUSINESS, REINFORCING CYCLES CAN BE DECISIVE

Clean energy is benefitting from a virtuous reinforcing cycle: Investments in R&D made a decade ago increased capacity, lowered prices, and generated new demand. That new demand encouraged more R&D, which generated even greater efficiencies, and so on. The result? Wind and solar power prices fell 49% and 85% since 2010, respectively, and are projected to drop another 48% and 63% by 2050.

By comparison, most counties in the U.S. are struggling with a negative reinforcing demographic cycle. Their aging workforce is hurting job growth, tax revenue, and home values, which is causing younger workers to move away, which puts further pressure on job growth, tax revenue, and property values, and so on.

Some of our biggest problems — like climate change, deficit spending, college loan debt, and our crumbling infrastructure — are creating negative cycles. The longer we wait, the harder they get to fix.

WE LOOK TO COMPETITORS FOR PERSPECTIVE

Good business leaders keep a close eye on their competitors.

Think we’re spending too much on renewable energy, high-speed rail, or airport improvements? Think again. China invests 1.6X as much as the U.S. in renewable energy and 11.7X more on infrastructure. They have 19,000 miles of high-speed rail; we have 34.

Think working mothers are better off in the U.S.? Other advanced nations invest 3X more in family support.

The U.S., once a leader in smart investments like these, is falling behind. To fix Washington, we must demonstrate what these gaps mean.

FOCUS ON IOWA, MICHIGAN, OHIO, PENNSYLVANIA, AND WISCONSIN

Throughout this book, we provide case studies from these states. Here’s why:

First, Trump’s promises were popular across these states in 2016 and remain popular today. Ideas like building a wall, bringing back old manufacturing jobs, and putting “America first” resonate with these voters.

Second, these states are disproportionately disrupted by economic trends (like automation) and demographic trends (like a shrinking, aging workforce). Trump’s trade wars and inadequate infrastructure investment are hitting them particularly hard.

Third, many assets on which these states rely — natural resources, skilled workforce, corporate concentration, research institutions, and infrastructure — are threatened. Climate change threatens farm yields and automotive supply chains. Many of the river levees, roads, bridges, and railways that connect companies to other markets are underfunded and structurally unsound.
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Q1: IS AMERICA FULL?
NO. MOST COMMUNITIES ARE SHRINKING. WE’RE GETTING OLDER. WE NEED IMMIGRANTS.

We have plenty of land, water, food, and energy. Our real problem is fewer babies, fewer workers, and migration from small towns to big cities.

When a community ages and shrinks, it creates a negative cycle that’s hard to break. Immigrants can break the negative cycle.

Trump’s restrictive immigration policies are bad for business, property values, pensions, and Social Security.

Over 10 years, his policies could cost at least $1.5 trillion in economic growth and 15.3 million jobs!
Q2: DO WE NEED TO BUILD A WALL?
NO. THERE ARE BETTER, CHEAPER WAYS TO PROTECT THE BORDER. TRUMP SHOULD FOCUS LESS ATTENTION ON HIS WALL AND START FIXING THE BRIDGES, LEVEES, ROADS, AND RAILWAYS U.S. BUSINESSES NEED.

Trump’s wall, which engineers price at $31 billion, won’t work as promised because most drugs and criminals cross our borders through ports, over roads, or by air.3 A Republican proposal that uses satellites, drones, and tracking technology could work, for about $1 billion.4

Trump’s preoccupation with his wall comes at a steep price. Despite bipartisan support for a massive infrastructure deal, Trump has yet to submit legislation — and his draft proposal would cover just 11% of the shortfall in infrastructure funding.5, 6

Today, U.S. infrastructure earns a D+.7 In key sectors, Midwest states score even worse. Yet, we consistently invest far less than our global competitors.

I think building a concrete structure sea to shining sea is the most expensive and least effective way to do border security.8

- Rep. Will Hurd

Congressman Hurd and six co-sponsors (including Democrat Henry Cuellar) proposed the SMART Act, which relies on technological solutions to secure the border.

“People that are dealing with this issue know that a third century solution to a 21st century problem is not going to fix this long term.”9

- Rep. Will Hurd

![Total Needs, Estimated Funding, Funding Gap, and Trump Proposal Over 10 Years](chart)

- Rep. Will Hurd (R-TX, former CIA agent) represents Texas’ 23rd congressional district, which stretches roughly 820 miles of the border.

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Q3: ARE TRUMP’S TAX CUTS HELPING THE MIDDLE CLASS?
NOT REALLY. MOST OF TRUMP’S $1.9 TRILLION IN CUTS BENEFIT WEALTHY FAMILIES (BY DESIGN), AND TRUMP WANTS TO PAY FOR IT ALL BY CUTTING SOCIAL SECURITY AND HEALTH CARE.

Chances are, you got a tax cut. Chances are, you also got screwed. The top 5% took more than half of the pie and left the rest of us to pay the check.13

How did Trump do it? By favoring the types of income that the richest people earn: cutting corporate tax rates, doubling the estate tax exemption, and allowing deductions for pass-through income.

In other words, the Trump tax cuts skipped the middle class by design. Trump sold his tax cuts with promises that helping the rich would trickle down to middle-class families. It hasn’t.

Trump promised his tax cuts would pay for themselves by generating massive economic growth. They haven’t.

To pay for his tax cuts, Trump now wants to cut health care and Social Security by $1.65 trillion.14
Taxpayers already spend $4 billion per year protecting coal, or about $75,000 for every coal job in the U.S.\textsuperscript{18} We’re also covering costs coal companies should be paying: cleaning up 500,000 abandoned coal mines and providing $15 billion in health care aid to injured miners whose employers abandoned them.\textsuperscript{19, 20}

Automation has been eliminating coal jobs since the ’50s, just as it has been in many other industries. Surface mining started eliminating coal jobs in the ’90s, because it’s cheaper and requires fewer miners.

Natural gas started replacing coal about 10 years ago, because it’s cheaper and cleaner, which means coal jobs in West Virginia are turning into gas jobs in Pennsylvania. For Iowa, Michigan, Ohio, and Wisconsin, switching from fossil fuels to renewables could generate $58 billion in local investment and jobs.\textsuperscript{21}
Q5. CAN WE FIX CLIMATE CHANGE WITHOUT WRECKING OUR ECONOMY?

YES. SWITCHING TO RENEWABLE ENERGY COULD SAVE OUR ECONOMY.

Politicians who argue that switching to renewable energy will “wreck the economy” ignore how little manufacturers spend on electricity and how much they spend on their supply chains.

The global energy race is over: renewable energy won. Of every new energy dollar, 77 cents will go to wind, solar, or batteries — and renewables will produce two-thirds of the world’s power by 2050.25

As renewable energy grows more efficient, the number of states that could profit from it grows. For Iowa, Michigan, Ohio, and Wisconsin, renewable energy represents a $58 billion opportunity to “buy local.”26

By protecting coal plants and cutting funding for solar and wind R&D, Trump’s fighting market forces beyond his control. The U.S. should be leading on energy. We are behind.
Q6. IS AMERICA BETTER OFF GOING IT ALONE?

NO. UNDER TRUMP, “AMERICA FIRST” MEANS “AMERICA ALONE,” WHICH IS BAD FOR BUSINESS.

Of our potential customers, 96 percent live outside the U.S., and they are not amused by Trump’s rhetoric, his policies, or the erratic way he pursues them. As respect for the U.S. has fallen, China and Russia have gained at our expense.

“America Alone” has cost the U.S. economy hundreds of billions of dollars in exports, $191 billion in foreign direct investment, and $59 billion in tourism exports — and put millions of jobs at risk.

Trump’s policies and rhetoric are particularly bad for America’s advanced industries, which rely heavily on exports and allies that respect our intellectual property. These industries matter, because they are growing twice as fast, pay twice as much, and employ lots of workers without college degrees.

**AS THE U.S. TURNS AWAY FROM THE WORLD, RUSSIA AND CHINA GAIN**

Approval of the U.S. as a world leader has dropped below the approval of China. Russia’s approval in the world’s view has risen to an equal level with the U.S.

**WHILE TRUMP BURNS_BRIDGES AND BUILDS A WALL, CHINA IS CONSTRUCTING ROADS AND LAYING 5G CABLE**

China’s “Belt and Road Initiative” is spending ~$150 billion per year in 68 countries representing two-thirds of the world’s population.

China will spend $1.2+ trillion over ten years on a vast network of railways, energy pipelines, ports, highways, 5G networks, border crossings, and 50 special economic zones.
Q7. ARE WE WINNING THESE TRADE WARS?

No. Trade wars cause higher prices, layoffs, lost exports, and slower growth. This one is worse because Trump is burning our biggest industries to prop up smaller ones.

Tariffs lead to higher prices, lower profits, layoffs, lost growth, and retaliation. We strike with tariffs on foreign washing machines and steel; our partners retaliate with tariffs on U.S. soybeans, cheese, whisky, wine, cars, trucks, and motorcycles. The collateral damage grows.

Trump’s erratic, tweet-driven trade wars are discouraging business investment, which undermines America’s competitiveness.

Even if we “win” these trade wars, we lose, because Trump’s got this trade war backward. We escalate; they escalate; and consumers pay the price.
We're creating fewer new small businesses than we used to, and it's hurting wages, growth, and economic opportunity.

Small businesses operate more like families than big businesses. Roughly 23 million out of 32 million small businesses rely on the owner’s personal funds to deal with financial challenges.

Millions of would-be entrepreneurs are also held back by college debt. The share of new small business owners between 20 and 34 has shrunk from 34% in 1996 to 24% in 2016.

As big banks cut back on small business lending, “fintech” companies are stepping in. Many offer fair loans; many do not. Trump has gutted the organizations that protect consumers and small businesses from predatory lenders.
Q9. WILL AUTOMATION TAKE OUR JOBS?
TAKE THEM? POSSIBLY. CHANGE THEM? ABSOLUTELY. AUTOMATION CREATES AND DESTROYS JOBS SIMULTANEOUSLY, CHANGING AMERICA’S “JOB MIX” AS IT GOES. WE CAN’T GO BACK. WE MUST RESKILL.

Trump has promised to bring manufacturing jobs “back,” but most of the manufacturing jobs we lost didn’t move overseas; they were automated.

Automation creates and destroys jobs simultaneously, changing a market’s “job mix” as it goes.

As jobs change, workers must adapt. By 2030, workplace demand will increase by 60% for technological skills, 40% for creativity, and 33% for entrepreneurship.41

We can’t go back. We must reskill. If we don’t, we could leave 2.4 million skilled manufacturing positions unfilled, costing our economy $2.5 trillion by 2028.42

THERE ARE 3X MORE ROBOTS NOW THAN THERE WERE 20 YEARS AGO43

There will be 9X more in 2030 than today.

IF WE CAN’T FILL THESE JOBS, OUR ECONOMY COULD LOSE $2.5 TRILLION IN OUTPUT BY 202844

PERSISTENT SKILLS SHORTAGES COULD COST THE U.S. $85 BILLION THIS YEAR, AND COULD RISK $2.5 TRILLION IN ECONOMIC OUTPUT OVER THE NEXT DECADE

$ BILLIONS (U.S.)

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U.S. MANUFACTURING OUTPUT/GDP
MANUFACTURING OUTPUT/GDP AT RISK DUE TO SKILLS SHORTAGE
Q10. WHAT IS ONE BIG THING WE CAN DO TO FIX OUR ECONOMY?

SUPPORT WORKING WOMEN.

Women are overrepresented in low-paying jobs, underrepresented in high-paying jobs, overworked at home, and undermined at the office. Today’s gender gap equals $1 trillion in lost income.⁴⁵

Family-friendly policies enjoy bipartisan support, but Trump has restricted reproductive health care and family planning services; proposed spending cuts for after-school programs, on-campus child care for students, and child care assistance for low-income working families; and opposed equal pay measures, overtime pay reform, and stronger sexual harassment laws.

Our competitors spend three times more supporting families — and it’s boosting their economies. Once a leader, the U.S. now ranks 20th out of 22 advanced economies in prime-age female labor participation.⁴⁶

Closing the gender gap could generate $1 trillion in lost income.⁴⁵

Closing the labor force participation gap would increase our $19.4 trillion/year economy by 5% (or $970 billion/year).

Women remain overrepresented in low-paying jobs, underrepresented in high-paying jobs, and overworked at home. Our economy shrinks while our competitors’ economies grow.

SUPPORT WORKING WOMEN
- Offer more family planning support
- Help with child care, family leave
- Promote equal pay
- Address workplace harassment

UNDERMINE WORKING WOMEN
- Restrict family planning
- Ignore child care, family leave, equal pay, and workplace harassment
ENDNOTES


2. Ibid.


11. Ibid


31. Ibid


ENDNOTES


46. OECD Online Employment Database.