

In Defense of Trump's Deal with Carrier

Donald Trump hasn't yet made the move from Trump Tower to America's most expensive public housing, but he was able to come through with one campaign promise this week by announcing a deal with Indiana-based Carrier Air Conditioning that will keep almost 1,000 jobs in the state. [As reported](#), the deal seems largely focused on the State of Indiana offering millions in tax breaks and an understanding that the Trump administration will push for regulatory and corporate tax relief at the Federal level.

While the jobs Carrier will be keeping in the US only makes up about a third of the jobs the company had planned to move to Mexico, the underlying deal seems to reflect a larger commitment to addressing the corporate tax and regulatory burdens that have long held back the American economy. While some have described Trump's approach as crony capitalism, if the terms of the deal really are limited to tax relief, such claims are baseless. While it is true that tax breaks for specific companies are less ideal than across-the-board cuts (or outright abolishment) of business taxes, they should not be confused with taxpayer subsidies.

[As Matthew McCaffrey wrote last year](#) defending tax credits for video game companies:

Decades ago, economists like Mises and Rothbard were already arguing that tax breaks are not economically or ethically equivalent to receiving subsidies. Simply put, being permitted to keep your income is not the same as taking it from competitors. Exemptions and loopholes do not forcibly redistribute wealth; taxes and subsidies do, thereby benefiting some producers at the expense of others.

Yes, entrepreneurs who take advantage of tax breaks will incur fewer costs than entrepreneurs who don't. But this doesn't show that exemptions or loopholes provide unfair advantages; in fact, just the opposite – it shows that taxes penalize entrepreneurs unlucky enough to be left holding the bill.

Tax breaks are beneficial to those who claim them, but they are not subsidies. Rather, exemptions and loopholes are life jackets in a sea of wealth redistribution. Mises said it perfectly: "capitalism breathes through those loopholes." Sadly, his simple insight continues to elude most commentators.

Yet still, unsurprisingly, the deal has been condemned by devoted Trump-critics from across the ideological spectrum.

David Boaz, vice president of the Cato Institute, found the offering of tax breaks and regulatory relief alarming, [telling *The Fiscal Times*](#):

This is not a precedent we want to see – American presidents aren't supposed to interfere on behalf of individual companies. When the president does it himself it makes clear that this is a crony economy, to benefit the president's friends, and that individual companies can be subject to pressure and punishment directly at the hands of the president.

Of course, Trump didn't make this deal by himself – he worked with the Vice President-elect Mike Pence, who is still the governor of Indiana. There's also no indication that Trump's deal with Carrier reflected any sort of personal interest in the specific company, but rather is part of a larger push to keep companies from re-locating overseas. While Trump's rhetoric on trade, with a heavy focus on the potential use of tariffs, is itself troubling, there is nothing inherently

wrong with an administration focused on keeping jobs in America – especially if this is accomplished by relieving tax and regulatory burdens.

A more compelling argument against Trump's deal was made by [AEI's James Pethokoukis](#):

More broadly, this is all terrible for a nation's economic vitality if businesses make decisions to please politicians rather than customers and shareholders. Yet America's private sector has just been sent a strong signal that playing ball with Trump might be part of what it now means to run an American company. Imagine business after business, year after year, making decisions based partly on pleasing the Trump White House. ... Indeed, one Indiana official, Politico reports, thinks the deal was driven by concerns United Technologies "could lose a portion of its roughly \$6.7 billion in federal contracts."

Pethokoukis is correct, if business decisions start to be made entirely to please President Trump, then the American economy would suffer. But, again, the carrots Trump used for the Carrier deal involved lower taxes and a promise of regulatory relief. Should he follow through, then Trump's economic policy would be helping American workers while simultaneously benefiting American customers and company shareholders. While future deals may deviate from this approach, and any move to push punishing tariffs should be rightfully criticized, it isn't applicable in this specific situation.

And while it's fair to speculate that Carrier's parent company, United Technologies Corp., is hoping any good will it builds with a Trump administration will either lead to future government contracts, or protect the ones it has, this is simply the unfortunate consequence of having government and business so tightly entwined to begin with. It is hardly

unique to either the Carrier deal or the Trump administration.

Of course it should come as no surprise that the most absurd analysis of Trump's deal comes from Senator Bernie Sanders, who in [The Washington Post](#) wrote:

Just a short few months ago, Trump was pledging to force United Technologies to "pay a damn tax." He was insisting on very steep tariffs for companies like Carrier that left the United States and wanted to sell their foreign-made products back in the United States. Instead of a damn tax, the company will be rewarded with a damn tax cut. Wow! How's that for standing up to corporate greed? How's that for punishing corporations that shut down in the United States and move abroad?

In essence, United Technologies took Trump hostage and won. And that should send a shock wave of fear through all workers across the country.

Sanders main criticism is that Trump moved away from rhetoric punishing American businesses and instead tried to alleviate some of the additional costs government imposes on them. It's not a surprise this upsets the senator from Vermont, as in his world, an opportunity to increase someone's tax burden is a terrible thing to waste – which is why he campaigned [on raising them for most of America](#).

Though the deal with Carrier will go a long way to make America great again for those workers who were facing losing their jobs, it is a drop in the bucket for the ills that really plague the country. There are [still many warning signs](#) about what the economic policy of a Trump administration will look like. But not every action he takes will necessarily be bad policy.

If Trump builds on this win with broader cuts on corporate taxes and regulatory relief, as he ran on during the campaign,

than these policies should be praised – just as any future attacks on sound economics or individual liberty should be condemned.

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