From the office of Texas Workforce Commission

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Opinion/Editorial

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U.S. Government Funds Manufacturing Jobs Overseas

By Tom Pauken

A government-guaranteed loan to a so-called green energy company Solyndra has been in the news lately. Solyndra was supposed to employ thousands of Americans in the production of solar panels and received federal loan guarantees from the Obama administration in excess of half a billion dollars. Now, the company has filed for bankruptcy, and the American taxpayers are expected to get little or nothing back from this dubious investment.

Solyndra wasn't the only questionable investment made by the Obama administration under its "green energy" initiative. The latest example to emerge, Fisker Automotive, also received loan guarantees of more than half a billion dollars in late 2009 ostensibly to make capital investments in order to begin domestic production of energy-efficient, economy-class cars at a former General Motors factory in Delaware. The Department of Energy approved the loan of $528 million in 2009 as part of a larger package of government venture capital investments in the relatively young clean-tech auto industry. At the time, Energy Secretary Steven Chu said, "This investment will create thousands of new American jobs and is another critical step in making sure we are positioned to compete for the clean energy jobs of the future."

If only that were true.

In October, Americans marveled at the debut of the Fisker Karma, a flashy sedan that more closely resembles a hotrod than the more conservative hybrid cars we're accustomed to seeing on the road. As impressive as it was with all of its bells and whistles, critics have noted the absence of one important feature – the "Made in America" tag. As it turns out, Fisker had contracted the assembly of the new Karma to the Finnish-owned manufacturing firm, Valmet, located in Uusikaupunki, Finland. Co-founder Henrik Fisker told *ABC News* that his company was unable to find a contract manufacturer in the U.S. capable of assembling the vehicle to their standards.

"We're not in the business of failing; we're in the business of winning. So we make the right decision for the business," Fisker said. "That's why we went to Finland."

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Adding insult to injury, Fisker Auto recently announced that the start date for production of its economy-class model – the model that was supposed to start production in Delaware in 2012 – would be delayed until 2013 at the very earliest. While time will tell if Fisker Auto will be successful in the relatively new industry of clean-tech vehicles, I question whether this was an investment American taxpayers want our government to make, especially when the only jobs created to this point have been overseas. Investments in clean technology and alternative energy are inherently risky, and no doubt should be made in the free market where risks can be absorbed without burdening taxpayers with more public debt. This should be evident from the past mistakes of the socialist government of Spain, which heavily invested public money into green energy initiatives that failed to ever be competitive or create jobs. In fact, one study from the King Juan Carlos University in Madrid showed that each "green job" created by government-supported subsidies resulted in the loss of 2.2 jobs in other areas of the private sector, while costing an average of $774,000 per job.

Between 2000 and 2010, U.S. manufacturing employment declined by 5.8 million jobs. That's a drop of one-third, the largest ten-year period loss on record. As a consequence, our national economy has given way to high levels of debt, trade deficits with 105 nations, and record long-term unemployment rates. It is insulting that our tax dollars are being used by the current administration to create jobs abroad while our existing corporate tax system – the most onerous in the world – already has the effect of exporting manufacturing jobs overseas. Companies that operate in the U.S. must do so under a system that encourages debt and outsourcing, rather than savings and investment here at home. In contrast, our national competitors have border-adjusted tax systems that exempt exports, and in turn reward firms for keeping operations in their home country. Finland, for example, has a border-adjusted tax of 22 percent which must be paid on all imports coming in to their country, but is exempted on those goods going out – like new Karmas being shipped to the United States.

One idea to correct this was proposed by Austin businessman David Hartman. His plan would eliminate the corporate income tax on American businesses and replace it with a revenue-neutral, border-adjusted consumption tax. Such an approach to taxation would level the playing field with our trading competitors, and, more importantly, would ensure that future hybrid cars came with a "Made in America" tag.

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