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Student Handout #7: **FactCheck.org, “Not Working 4 Edwards”**

December 19, 2007

A labor group's ad supporting Edwards misleads about plant closings.

Summary

A new ad sponsored by a labor union PAC in support of Democratic presidential candidate Edwards implies that the closing of an Iowa Maytag factory and the loss of 1,800 jobs are due to "tax breaks to companies that move jobs offshore." And it says Edwards would end such breaks.

We found two problems:

- The jobs didn't move offshore. They were actually sent to Ohio.
- Eliminating the "tax breaks" in question probably wouldn't do much to keep jobs in the U.S.

Analysis

The ad began running in Iowa last week. It is sponsored by Working 4 Working Americans, which is a PAC [registered](#) to the United Brotherhood of Carpenters and Joiners, a union that has [endorsed](#) former Sen. John Edwards for president. The ad begins by reminding Iowa voters of the recent closing of the Maytag plant in Newton, Iowa, then immediately shifts to denouncing the export of jobs from the U.S.

My Heart Is in Ohio

The first part of the ad talks about the closing of the Maytag plant:

Narrator: The American dream started in towns like Newton, Iowa, with companies like Maytag. This October, Maytag closed its doors forever. Eighteen hundred jobs lost, while our government gives tax breaks to companies that move jobs offshore.

It is true that the Maytag plant in Newton [closed](#) in October. In all, the closure resulted in the loss of about 1,800 jobs: Roughly 1,000 from shutting down the factory and another 800 from the closing of Maytag's corporate headquarters. The closings were the result of a merger of Whirlpool and Maytag. Besides the Newton plant, Whirlpool also closed

washer and dryer plants in Herrin, Illinois, and Searcy, Arkansas, (as well as administrative centers in Mexico and Canada).

But what the ad doesn't mention is Maytag production was actually [moved](#) to Ohio. In other words, manufacturing moved from one part of the Midwest to a different part of the Midwest. When we spoke with Working 4 Working Americans, the group offered us no evidence to the contrary (although Whirlpool does have plants in Mexico and other countries), arguing instead that "the Maytag plant in Newton, which operated for generations, is symbolic of many of the issues facing working Americans." Maybe, but the ad strongly implies that workers in Newton lost their paychecks because their jobs were shipped abroad, which is not true.

Making Mountains of Molehills

It is true that U.S. corporations can [defer](#) taxes on their foreign subsidiaries as long as those profits are not transferred back to the parent company in the U.S. Tax experts call this "unrepatriated income." So a U.S. corporation can transfer its production to a subsidiary in Lowtaxistan and pay corporate taxes at a 10 percent rate (as opposed to a top rate of 35 percent in the U.S.). And as long as the money remains on the subsidiary's books, the U.S. taxes are deferred. Edwards [proposes](#) to eliminate those deferrals and require that "American companies' profits are taxed when earned, at either the U.S. rate, or by a foreign country at a comparable rate," according to his Web site.

The ad implies that Edwards' proposal will reduce offshoring, and an Edwards aide we contacted predicted a "substantial" effect. Economists, however, are less certain. Edwards' plan is, in essence, a version of John Kerry's 2004 proposal to end tax incentives for exporting jobs. But Christian Weller, a senior fellow at the Democratic-leaning Center for American Progress, [wrote](#) that taxes "are a very small part" of companies' decisions to move jobs offshore. Participants at a Brookings Institution summit on trade likewise agreed that taxes have little bearing on offshoring decisions. Joel Slemrod, a tax expert at the University of Michigan's business school, perhaps best expressed the general consensus on Kerry's proposal: "For those who see [offshoring] as a problem, this is not a solution."

There's an argument to be made that what Edwards proposes is good policy, and we take no position on that. Bob McIntyre of the liberal-leaning Citizens for Tax Justice, [told](#) the *Washington Post* in 2004 that, as a company, "you may go to India or China or Ireland for the wage differentials – there's nothing we can do about that. But we don't have to pay you to go there." But we find few outside the Edwards camp that predict his plan would have much effect on jobs.

Working 4 Working Americans *could* have featured a plant that closed because workers' jobs *were* being sent abroad. Such plants exist, though perhaps not any that are so fresh in the minds of Iowa voters. As it is, the ad's false implication is misleading.

– by Joe Miller

Sources

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Source: FactCheck.org

http://www.factcheck.org/elections-2008/not_working_4_edwards.html