

# Lawrence Tabak's *Foxconned*: A valuable forensic analysis of a disastrous, politically motivated scam

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In June 2018, President Donald Trump, Wisconsin governor Scott Walker, and Foxconn CEO/Founder Terry Guo broke ground in the village of Mount Pleasant in Racine County, Wisconsin.

The proposed plan was one of mammoth proportion—the Taiwan-based electronics contract manufacturer best known for producing Apple's iPhone would build a \$7 billion dollar LCD television plant the size of a small city, which would employ up to 50,000 people drawn from throughout the region. Foxconn's budget would rise yet again to as much as \$10 billion and the company promised to employ 3,000 right away.

In need of massive amounts of water to build the televisions, the governments of Great Lakes states such as Michigan and Ohio had initially bid themselves to host Foxconn but the subsidies Wisconsin and Walker gave to Foxconn greatly outpaced them. In total, the state was prepared to offer Guo \$3-4.5 billion, all of which would be paid for by taxpayers over the ensuing decades.

While even on the surface this arrangement seemed dubious at best, writer Lawrence Tabak's *Foxconned: Imaginary Jobs, Bulldozed Homes, and the Sacking of Local Government* (2021, University of Chicago Press) delivers a multi-dimensional analysis of the plant's inception, funding, construction—or rather lack of construction—and eventual abandonment.

Based in Madison, Wisconsin, Tabak did much of the research for the book on the ground in the southeastern part of the state, photographing the area and interviewing residents of the town. The book covers a few years in detail, but Tabak makes sure to ground this venture in the context of the decades-long destruction of manufacturing jobs which have plagued not only Wisconsin but also the entire country.

An anchor in Tabak's review of the Foxconn debacle is the effects the development had on farmers and homeowners in the area. The main strategy the state and Mount Pleasant governments utilized to ensure the land would be available to Foxconn was to use the law of "eminent domain" to declare houses and properties "blighted" so as to have state backing to destroy them and build new structures.

The village could deem properties blighted with or without the homeowners' consent, which can result in lowball offers to residents. In a chilling anecdote relayed by Tabak, Foxconn Project Director Clause Lois tells defiant residents Kim and James Mahoney that "we'll find a way" to take every house to clear the land the company declared it needed.

Beyond boots-on-the-ground reporting and interviewing, Tabak also looks at the history of the participants involved and their past financial and legal indiscretions. Painting a picture of the key players as something like a rogue's gallery, Tabak recounts a similar development occurring in Sherrard, Illinois, a sleepy town of about 700 south of the Quad Cities, also led by Lois and the local government officials. The plan was to build a multimillion-dollar luxury golf course and assorted homes with the promise of breathing life into the small Midwest town.

In what becomes a financial theme of the book, the development was sponsored primarily through the creation of a tax-increment-financing (TIF) district. Tabak explains:

TIF districts... are a popular tool for municipal economic development. An area that is in need of improvement is typically designated as "blighted," and the property tax revenue—which normally goes to various recipients such as schools—is frozen at the current level, most commonly for twenty- three years. Public funds are then used to make the area more attractive—razing slums, improving roads, adding infrastructure. In a successful TIF district, the subsequent improvements spark development that increases the tax base...

However, in the hands of people like Lois, the TIF pool created to raise funds for development and buyouts of homeowners was also used to pay themselves exorbitant amounts of money. Tabak notes how Lois's trips from Burlington, Wisconsin to Sherrard "were piling up at \$1,500 apiece...These charges were later charged to the TIF pool, paid, and invoices filed, only later revealed when concerned citizen Bennie Garner insisted on reviewing the ledgers. Not counting mileage, Lois's pay rate was the equivalent of a \$338,000-a-year salary."

The Sherrard development would end up an abject failure, catalyzed by the 2008 financial crash, with bills to developers reaching over \$12 million. Tabak is direct in the conclusions he draws from the failed development, and the millions of dollars of debt Sherrard's citizens have had to take on: "In the end, the Fyre Lake development was a massive transfer of wealth... the major financial victims were American taxpayers." The same financial strategy and result occurred in Mount Pleasant, with Lois, along with many other powerful allies, among its chief architects.

But there is also the case of Foxconn itself as a company, Guo's questionable business practices, and the actual product itself that was to be made at the Mount Pleasant facility. Firstly, Foxconn and Guo had been under heavy scrutiny by Chinese authorities for their lack of safety measures for workers as well as not making payments for the enormous sums they promised to deliver. Tabak notes how "housing in the China operation was barebones, with up to twelve workers bunking together in a single room," and the company was soon sanctioned in China for abusing interns.

While Guo was working closely with Walker and Trump to strike a high-profile deal in Wisconsin, he was already trying to extricate himself from other broken deals around the globe, such as an aborted \$30 million factory in Harrisburg, Pennsylvania. These deals were widely known and

reported on at the time.

The technology of the televisions to be made was also highly contentious. Guo's insistence on Foxconn being the preeminent creator of LCD screen televisions was flying in the face of television equipment development.

Painstaking to make, LCD screens require such enormous precision in their crafting that the process would mostly become automated, something Guo failed to mention in regard to the tens of thousands of jobs his plant promised to create. Tabak notes how "a speck of dust can ruin an entire panel. Alignment of materials is painstakingly exact—within a few microns... all processes are automated and robotic."

The screens themselves also required seven million gallons of clean water a day for cooling down material and cleaning screens; something only available in a plant connected to the Great Lakes. However, this cumbersome process was already giving way to the rise of LED television screens, which were not only easier to make and less volatile in their materials, but provided a better picture as well. Guo's decision to promise the production of millions of LCD panels despite these obvious changes in the market was one of many head-scratching decisions from the primary actors in the Foxconn story.

Tabak points his critical eye towards the Wisconsin Republican officials who helped create the disaster, most notably Walker, and the rise of the Tea Party after the election of Barack Obama. He notes that "the magic pixie dust that politicians chase is jobs," and Walker's "scorched-earth" policy of announcing the creation of jobs is presented as a calculated plan to win re-election under his election-campaign slogan "Wisconsin is open for business."

Tabak centers the Tea Party movement itself as responsible for the massive shift in Republican policies, which favored cutting state budgets and programs in the promise that jobs would be created. While the Tea Party movement certainly marked a reactionary shift in Republican politics, Tabak glosses over the Democratic Party's major role—working hand in hand with the trade unions—in destroying industrial jobs over the last several decades.

A final piece of the puzzle is Tabak's scathing, forensic analysis of the studies done of the development that were then approved by Walker and his cronies before the deal was struck. In particular, the studies done by Ernst & Young Global Limited, a multinational professional consulting firm are seen, not only by Tabak, but by the numerous scholars and industry professionals interviewed, as misguided at best and downright deceptive at worst.

Using the somewhat debunked "input-output" theory of economics, Ernst & Young predicted astronomical rises in employment and development not only for the factory but for the entire region. The Foxconn plant was presented as something akin to its own utopian city, with gleaming neighborhoods, barber shops, grocery stores and more. However, even a simple analysis, which would include an understanding that a sizable portion of workers would commute, including from Illinois and Ohio, would cause this model to crack substantially. The conclusion Tabak draws here is that rather than being ignorant, those politicians in charge of approving and presenting the deal simply ignored these factors as the price of ensuring re-election.

So what happened in the end for Foxconn, Mount Pleasant, Racine, and James and Kim Mahoney? The plant Foxconn intends to build is massively smaller in proportion to the initial plan, involving about 6,000 people. These workers will not be manufacturers but rather technical specialists who will oversee the automation for building smaller LCD screens, which will be placed in SUVs and other vehicles. Mount Pleasant will not see any profit from the plant until at least 2046. James and Kim Mahoney were able to keep their property but every other house around them was bulldozed and the land totally repurposed. Construction continues on the cleared land, but rather than hope, exponential losses and

enormous distrust plague the residents of Mount Pleasant and Wisconsinites in general.

Tabak clearly understands the toll that deindustrialization has taken on the Midwest and America in general. "Since the peak of US domestic manufacturing in 1979, some 7 million US manufacturing jobs have been eliminated... job losses between 2000 and 2018 saw one out of four manufacturing workers out of a job—a drop from 17.5 million to 13 million," he writes. Citing the "millions who have dropped out of the workforce in despair," Tabak continues that "the loss of good manufacturing jobs is one of the most important forces behind the well-documented escalation of the increasing American disparity in income and wealth. No single statistic better illustrates this reality than the calculation made in 2019 by the Berkeley economists Gabriel Zucman and Emmanuel Saez that the total net worth of the bottom half of American households was actually negative." The effects of deindustrialization are astutely drawn both on the macro and micro level throughout the book.

Tabak's book is a necessary and precise account of an unmitigated, highly cynical and foreseeable disaster, but it is one that is not out of the ordinary in the United States.

Republican and Democratic governments alike have long been utilizing TIF districts as slush funds for the principals involved in privatization projects. These underhanded plays have a history of undermining the already far-fetched home-run plans promising to win back a city's employment losses in one swoop, seizing on the social desperation and the decayed communities created by their own policies to siphon public funds into private coffers.

Even the "success" stories, such as Tabak's account of Epic Systems in Verona, Wisconsin, bear scrutiny. While the health care software company has been able over four decades to create a massive campus and employ tens of thousands, the effect on the neighboring city of Madison—the state's capital—has not always been positive.

Housing prices in the city have reached record highs as more and more people move to the city to take high-paying executive-track jobs at Epic right out of college. This has contributed to the large increase in the city's homeless population, with families having to move further and further east to avoid high rent charges. In the end, TIF districts seem to help those who are most invested in the business being planned, rather than any working-class taxpayers.

Tabak's volume makes clear that the consequences of the Foxconn disaster are far from over and the overall losses incurred by Wisconsin's residents are yet to be fully felt. In fact, a prominent figure in the book, former Foxconn executive Alan Yeung, was announced as a new professor of entrepreneurship in the College of Engineering at the University of Wisconsin-Madison in early April. This move comes off the heels of UW-Madison Chancellor Rebecca Blank reporting that the school has only seen \$700,000 of the \$100 million grant promised to the university by Guo and Foxconn. On top of this, CNBC released a report citing how Foxconn "mostly abandoned" its original plan for its plant in Racine, and instead projects investing \$672 million into the project instead of the original \$10 billion. It has cut the number of expected jobs even further, from 13,000 to just about 1,400.

Yeung's hiring coincides with the release of his own memoir of the disaster, *Flying Eagle*, which paints a rosy picture of the deal's completion and support from President Donald Trump. Despite the plant costing Wisconsin millions in public funds and leaving many of the residents of Mount Pleasant without their homes and fair payouts, Yeung instead argues that Democratic governor Tony Evers is primarily responsible for the plant's continual downsizing as well as its location (Yeung believes Ohio would have been a better location). Yeung's whitewash, the complicity of institutions like UW-Madison, and the passing of blame from one political party to another all coincide with Tabak's broad analysis of the total lack of accountability those who

brokered and boosted the original deal face.

As a work of journalism and investigation, Tabak's volume may be the best analysis on the Foxconn disaster in Wisconsin that we have seen so far. The timeline of events and the unmasking of this reckless enterprise, enacted at the highest levels of government statewide and nationwide, is damning. A comprehensive bibliography, maps and photographs of the area all serve to illustrate the scope of this titanic operation. With surely more consequences of the Foxconn disaster coming in the future, Tabak's volume will be a valuable resource for workers moving forward.

However, sharp as Tabak's analysis of the Foxconn scam is, the solutions offered are somewhat vague, even tepid. He approvingly cites former Democratic Party presidential candidate Andrew Yang's policy for universal basic income and relays a local apprenticeship program developed to re-integrate workers back into the workforce through training and support. There are also appeals to crack down on cronyism in local politics and de-incentivizing the use of TIF districts so as to stop flashy developments such as sports arenas and convention centers in favor of more sensible programs which could benefit the citizens who already live in these areas. But what, exactly, is to be done in the long term?

One cannot properly see the necessary conclusions without understanding the larger history behind the loss of industrial jobs and erosion of working class living standards, not only in America, but around the world.

Tea Party Republicans and Trumpism are not responsible for this continuing process, despite playing a key role as of late. What Tabak fails to incorporate into his conclusion is the role of the Democratic Party—not only in its collaborating with Republicans, but also its spearheading the outsourcing of jobs internationally with the aid of the trade unions, and stoking racist and xenophobic moods in a desperate attempt to deflect blame from the capitalist system. The degeneration of the unions into arms of management is nowhere mentioned by Tabak, yet the role they play in constantly isolating strikes and ramming through employer-friendly deals against the interests of workers is of vital importance in helping to understand the “despair” of workers that lays the basis for “pie-in-the-sky” promises such as those from Foxconn and others .

What are workers and the unemployed to do in the face of these facts? Wait for TIF-district reform? Vote for Democrats to help ensure “big-business” Republicans no longer hold power? The same Democrats who represent the interests of the Pentagon and Wall Street and have done absolutely nothing to “follow the science” as they continue to let COVID-19 ravage the country and the working class unabated?

The answer lies in the unification of the international working class against the capitalist ruling class and their representatives in the Democratic and Republican parties in the fight for socialism. It is only when the working class unites as a class for itself and understands its position as the revolutionary class, that devastating, crushing austerity measures will be reversed and workers' own interests upheld.



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