

Wisconsin Technology Council: UW-Madison economist foresees big payback in jobs, growth multipliers from Foxconn deal

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Madison, Wisconsin – In an evaluation requested by the Wisconsin Technology Council, a UW-Madison economist foresees the creation of up to 39,000 indirect jobs and a return on state subsidy costs of up to \$3.90 for every \$1 invested if the Foxconn Technology Group builds a high-tech manufacturing center in Wisconsin.

Noah Williams, a Ph.D. economist and director of the Center for Research on the Wisconsin Economy, analyzed relevant state and national studies and concluded “Foxconn has the potential to generate broad gains that go far beyond the direct job estimates and tax revenue costs, which have dominated the recent discussion.”

While those gains are “by no means certain,” Williams added, they would materialize if the company’s high-tech investment encourages other firms to invest in Wisconsin, causes high-productivity workers to relocate here and prompts current workers to improve their skills.

“In evaluating the Foxconn package, the uncertain but potentially large gains in jobs, wages, output and incomes must be weighed against the certain fiscal costs,” he wrote.

Those costs are \$2.84 billion in state subsidies for capital and payroll expenditures over 15 years if the Legislature approves the Foxconn deal and moves the debate to contract negotiations between the company and the state.

Williams examined the direct effect of Foxconn in Wisconsin, which includes up to 13,000 company jobs by 2022; fiscal multipliers; capital intensity and the effect of wage changes; the flow of workers between Wisconsin and Illinois; indirect and induced economic activity; and the effects of foreign direct investment. Highlights of his report include:

- Between 32,000 and 39,000 indirect jobs would be created over time through Foxconn’s supply chain and other induced activity, such as increased foreign direct investment.
- Over the 15-year period of the state “enterprise zone” created for Foxconn, the Wisconsin economy could expect an additional \$39 billion in gross domestic product, in addition to \$11 billion in labor income.
- Even if all additional GDP produced by Foxconn went out of state, minus direct labor income, there would be a cumulative multiplier of 3.9 on the state’s subsidy costs.
- It is “highly implausible” that Foxconn would invest nearly \$10 billion and hire only 3,000 workers, given the company’s own workforce patterns and the need to recover the investment through productivity.
- The effect on the cross-border flow of workers from Illinois to Wisconsin would be “relatively small.” Existing workforce and population data suggests “increased employment opportunities in Kenosha or Racine counties may have a direct impact on reducing the number of the local residents who commute to Illinois than on drawing in Illinois residents.”
- Recent national studies have shown that large plant openings can have important “spillover effects,” or agglomeration, for incumbent companies – especially in productivity. “Foxconn does not compete directly with incumbent Wisconsin firms in its output market, but the competition for labor and other inputs may lead to a shakeup in the domestic market. While this would be costly for some incumbents, it would lead to higher productivity overall.”

“We appreciate the efforts of Dr. Williams to provide a timely and comprehensive

economic analysis of the potential Foxconn investment,” said Tom Still, president of the Tech Council.

The Tech Council is the independent, non-profit and bipartisan science and technology advisory body to the governor and the Legislature.

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