

# Investment Heroes 2019: Boosting U.S. Growth

MICHAEL MANDEL  
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DECEMBER 2019



| Item      | Amount  |       |
|-----------|---------|-------|
| State - 1 | 1,574.3 | 53.2% |
| State - 2 |         | 37.5% |
| State - 3 |         | 3.3%  |

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## INTRODUCTION

**Companies that invest in America are the lifeblood of economic growth. Whether it's a fast 3D printer, a fuel-efficient delivery van, a gigabit-speed broadband network, a new solar power project, a cutting-edge data center, or a 5G small cell, capital investment boosts productivity, raises living standards, and creates better-paying jobs.**

Unfortunately, the financial crisis of 2008-2009 triggered a capital investment shortfall that continues today. Since 2008, domestic business investment, net of depreciation, has averaged only 2.8 percent of net domestic product, down from an average of 5.0 percent during President Bill Clinton's eight years in the White House.<sup>1</sup>

The Tax Cuts and Jobs Act (TCJA)—passed in December 2017 by the Republican-controlled Congress and signed by President Donald Trump—failed to galvanize broad increases in capital investment. Net domestic business investment did briefly rise in late 2018 and early 2019 to 3.8 percent of net domestic product—still well below the Clinton-era levels. But the latest data, released on November 27, 2019, shows net domestic business investment plunging by 15 percent in the second and third quarters of 2019, back down to pre-TCJA levels.

Despite the broader trends, some companies stand out for their multi-billion investments in America. Since 2012 the Progressive Policy Institute has provided unique and unmatched estimates of domestic capital spending for

individual major U.S. companies. Currently, accounting rules do not require companies to report their U.S. capital spending separately. To fill this gap in the data, we created a methodology using publicly-available financial statements from nonfinancial Fortune 150 companies to identify the top companies that were investing in the United States.

We call these companies “Investment Heroes.” All told, the 25 companies in our 2019 list of Investment Heroes invested \$226 billion in the U.S., up 22 percent from our 2018 list.<sup>2</sup> Our new list of Investment Heroes includes ten tech, communications/broadband and ecommerce companies; eight energy production and distribution companies; four transportation companies; two automotive companies; and one retail company.

Alphabet tops our list, investing an estimated \$20.2 billion in domestic capital expenditures in 2018. AT&T comes in second, spending an estimated \$19.2 billion on U.S. capital expenditures. Amazon.com, Verizon Communications, and Microsoft complete the top five. The top energy companies are Exxon Mobil and Duke Energy, and our top two transportation companies are FedEx and Delta. Broadband providers represent four of the top ten companies on our list (with Comcast and Charter Communications joining AT&T and Verizon).

We note that many of our Investment Heroes are the target of fierce criticism from policymakers and pundits who underestimate the importance of capital spending to American growth. Democratic presidential candidate Senator Elizabeth Warren, for example, regularly talks about breaking up “Big Tech.”<sup>3</sup> Democratic presidential candidate Bernie Sanders assails

the pharmaceutical companies, who get a special mention in this year’s report because of their high R&D spending.<sup>4</sup> And a recent New York Times article lambasted FedEx for not increasing its global capital spending.<sup>5</sup> Meanwhile, by our estimate FedEx boosted its domestic capital spending by \$1 billion, or 23 percent, compared to the previous year, a figure that is more relevant for U.S. workers.

We conclude this report by urging policymakers to applaud the Investment Heroes, not attack them. Instead, they should focus their attention on companies and industries that are falling behind in domestic investment. What’s striking is the lack of health care companies on this list, despite the high number of large health care companies in the Fortune 150. (One company, HCA Healthcare, appears on our non-energy Investment Heroes list in the appendix). Indeed, government data shows very slow growth of capital intensity in health-care related industries, with the exception of pharmaceuticals. Given that healthcare is the largest industry in the economy, the lack of healthcare Investment Heroes may help explain some of the slow productivity growth.

Policymakers should think carefully about the investment implications of healthcare reform. And they should not put obstacles in the way of companies doing precisely what we want them to do — investing in America.

### THE BASICS OF DOMESTIC CAPITAL SPENDING

Capital spending on equipment, structures, and intellectual property such as software is an essential contributor to productivity and economic growth. The key to growth is how much businesses spent on productive capital, relative to the size of the economy and the workforce.

One useful measure of capital spending is net domestic business investment as a percentage of net domestic product. Net domestic business investment and net domestic product both subtract out economic depreciation (also known as capital consumption). Economic depreciation reflects the actual aging of the capital stock, as distinct from tax depreciation (also known as capital consumption allowances), which reflects the financial statements of businesses.

During the years of the Bill Clinton presidency, net domestic business investment averaged 5 percent of net domestic product. During the business cycle that ran from 1991 to 2000, net domestic business investment averaged 4.5 percent of net domestic product.

Since 2008, domestic business investment, net of depreciation, has averaged only 2.8 percent of net domestic product. The 2017 Tax Cuts and Jobs Act (TCJA) was supposed to spur investment by cutting the tax rate on corporate profits, expanding bonus depreciation, and increasing the Section 179 expensing cap. Net domestic business investment did briefly rise in late 2018 and early 2019 to 3.8 percent of net domestic product—still well below the

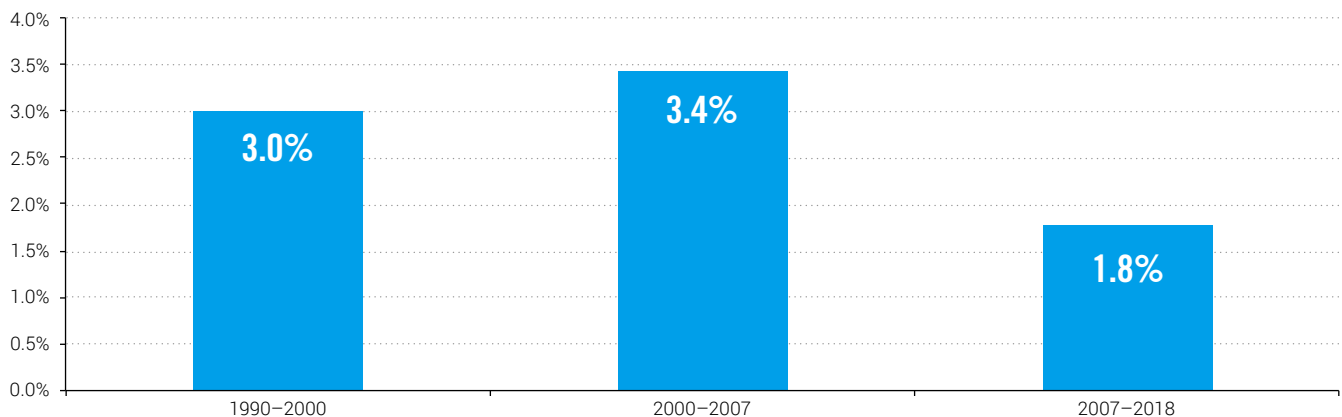
Clinton-era levels. But the latest data, released on November 27, 2019, shows net domestic business investment plunging by 15 percent in the second and third quarters of 2019, back down to pre-TCJA levels.

Another way to see the capital shortfall is to look at how fast the stock of assets grows relative to the number of hours worked. The Bureau of Labor Statistics (BLS) calculates the capital intensity as the ratio of the services produced by capital assets to the number of hours worked. Rising capital intensity means that each worker has more equipment, structures, and intellectual property available to them. As capital intensity rises, so does productivity.

Figure 1 shows that capital intensity has grown much more slowly in the current business cycle (2007-2018) than in the previous two (2000-2007 and 1990-2000). Since 2007, capital intensity in the nonfarm business sector has only risen at a 1.8 percent pace, compared with 3 percent or over in the previous two business cycles

To put it a different way, despite all the talk of automation, investment in capital assets has barely kept up with hiring. This even includes investment in software and R&D.

**FIGURE 1: A DECADE OF SUBNORMAL INVESTMENT (AVERAGE GROWTH RATE OF CAPITAL INTENSITY\*)**

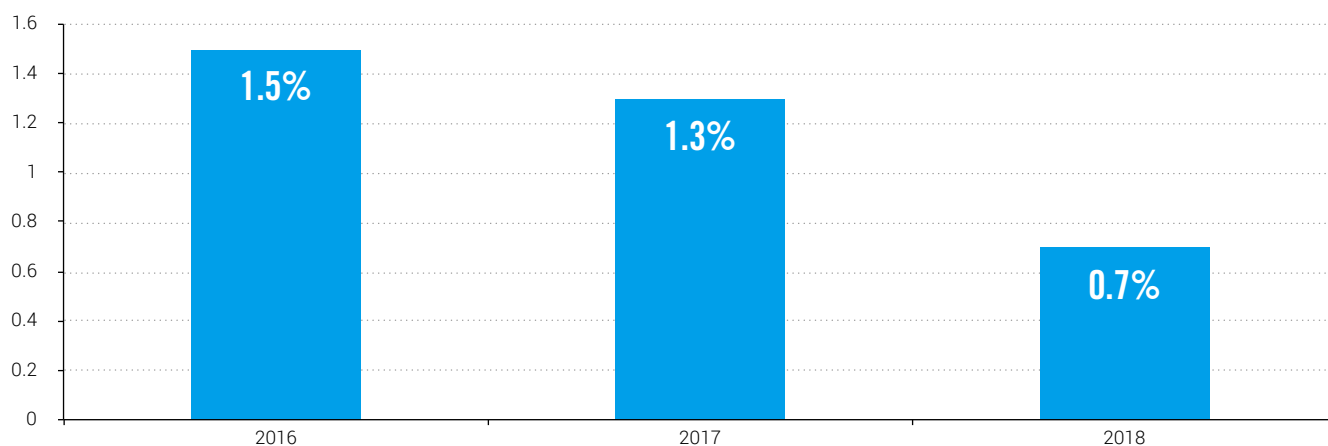


\*Capital services per hour of work, nonfarm business sector.  
Source: Bureau of Labor Statistics

One important question is whether capital intensity has been accelerating in recent years. However, as Figure 2 shows, capital intensity only rose at a 0.7 percent rate in 2018, slower than 2016 and 2017.<sup>6</sup>

In return for this small increase, the tradeoff to the TCJA is a significant increase in current and future deficits.<sup>7</sup> Larger deficits could potentially boost interest rates and crowd out future investment.

**FIGURE 2: DESPITE TAX CUT, INVESTMENT WEAKENS IN 2018  
(PERCENTAGE INCREASE IN CAPITAL INTENSITY, NONFARM BUSINESS SECTOR)**



Source: Bureau of Labor Statistics

### CAPITAL INVESTMENT BY INDUSTRY

The slow growth of capital intensity and productivity is not shared by all industries. The BLS publishes figures on capital intensity and productivity growth by industry, based on domestic investment. Table 1 shows the top five industries by the growth of capital intensity between 2007 and 2017, the last year available.

We see that the top industry in terms of growth of capital intensity is communications/broadband, which includes the hundreds of billions of dollars invested in wired and wireless broadband networks. The companies in the communications/broadband industry boosted their capital intensity by 138 percent since 2007, way ahead of the 21 percent increase in capital intensity for the nonfarm business sector as a whole.

Not far behind are the companies in the “data processing and internet publishing” industry, which includes search, social media, and cloud computing. These companies have boosted their capital intensity by 135 percent. And the companies in the third ranked industry, software and other publishing, have increased their capital intensity by 78 percent. This category includes a mix of print publishers and companies making productivity programs such as spreadsheets, word processors, and databases.

**TABLE 1: TOP 5 INDUSTRIES BY GROWTH OF CAPITAL INTENSITY (2007-2017)**

|   |             |
|---|-------------|
| <b>COMMUNICATIONS/BROADBAND</b>                         | <b>138%</b> |
| <b>DATA PROCESSING AND INTERNET PUBLISHING</b>          | <b>135%</b> |
| <b>SOFTWARE AND OTHER PUBLISHING, EXCEPT INTERNET</b>   | <b>78%</b>  |
| <b>MINING, EXCEPT OIL AND GAS</b>                       | <b>72%</b>  |
| <b>SECURITIES, COMMODITY CONTRACTS, AND INVESTMENTS</b> | <b>58%</b>  |

*Note: Communications/broadband corresponds to NAICS 515 and 517. Data processing and internet publishing corresponds to NAICS 518 and 519. Software and other publishing, except internet, corresponds to NAICS 511.*

*Source: Bureau of Labor Statistics*

The chemical industry—which includes pharmaceuticals—checks in at a still strong 47 percent gain. Meanwhile, hospitals and residential facilities reported a much lower 22 percent increase in capital intensity over that ten-year period, while capital intensity in ambulatory healthcare services actually fell by 2 percent.

What about the link between capital intensity and labor productivity? Table 2 shows that the top two industries for capital intensity

growth are also the top two industries for labor productivity growth. Between 2007 and 2017 communications/broadband doubled its labor productivity, while data processing and internet publishing was very close behind with a 96 percent gain.

Meanwhile, in the health care sector, the ambulatory care services industry showed no labor productivity growth at all between 2007 and 2017, mirroring its weak performance in terms of capital intensity.

**TABLE 2: TOP 5 INDUSTRIES BY LABOR PRODUCTIVITY GROWTH (2007-2017)**

|   |             |
|---|-------------|
| <b>COMMUNICATIONS/BROADBAND</b>                       | <b>100%</b> |
| <b>DATA PROCESSING AND INTERNET PUBLISHING</b>        | <b>96%</b>  |
| <b>OIL AND GAS EXTRACTION</b>                         | <b>74%</b>  |
| <b>SOFTWARE AND OTHER PUBLISHING, EXCEPT INTERNET</b> | <b>39%</b>  |
| <b>COMPUTER SYSTEMS DESIGN AND RELATED SERVICES</b>   | <b>29%</b>  |

*Source: Bureau of Labor Statistics*

## U.S. INVESTMENT HEROES: THE 2019 LIST

Now we bring the macro economic results down to the level of the individual company. Using the methodology described in the appendix, we estimate domestic capital spending for large U.S. nonfinancial companies, based on publicly available data. Then we rank the companies, to give us the top 25 Investment Heroes.

The top 25 Investment Heroes invested \$226 billion in the United States in 2018 according to our estimates (which are based on the latest fiscal year through June 30, 2019). That's an increase of 22 percent compared to 2017, far ahead of the overall increase of 8 percent in nonresidential business investment.<sup>8</sup>

Coming in on top this year is Alphabet, more than doubling its estimated domestic capital expenditure compared to its 2017 investment. Second is AT&T, slightly increasing its estimated U.S. capital expenditure to \$19.2 billion. Amazon.com came in third, investing an estimated \$15.6 billion in 2018, a 30 percent increase compared

to 2017. Verizon and Microsoft round out the top five, investing an estimated \$14.9 billion and \$11.5 billion, respectively. Broadband providers represent four of the top ten companies on our list (with Comcast and Charter Communications joining AT&T and Verizon).

Three "newcomers" made the latest list. Ford Motor returned to the top 25 after significantly decreasing its capital expenditures in 2017. ConocoPhillips also returned after missing the top 25 in 2017 and 2016, investing an estimated \$4.5 billion in development and exploration. Enterprise Product Partners made the list again after missing the 2017 and 2016 lists by \$136 million and \$198 million, respectively.

Three companies from the 2017 list didn't make our 2018 list: American Airlines, Union Pacific, and General Electric. Notably, General Electric decreased U.S. capital expenditures sharply compared to 2017.

TABLE 3: U.S. INVESTMENT HEROES: TOP 25 NONFINANCIAL COMPANIES BY ESTIMATED U.S. CAPITAL EXPENDITURE\*

|    | COMPANY                      | ESTIMATED 2018 U.S. CAPITAL EXPENDITURES<br>(MILLIONS USD) |
|----|------------------------------|--|
| 1  | ALPHABET                     | 20,188   |
| 2  | AT&T                         | 19,209   |
| 3  | AMAZON.COM                   | 15,577   |
| 4  | VERIZON COMMUNICATIONS       | 14,912   |
| 5  | MICROSOFT                    | 11,469   |
| 6  | COMCAST                      | 10,890   |
| 7  | FACEBOOK                     | 10,763   |
| 8  | EXXON MOBIL                  | 10,668   |
| 9  | DUKE ENERGY                  | 9,389  |
| 10 | CHARTER COMMUNICATIONS       | 9,125  |
| 11 | CHEVRON                      | 8,651  |
| 12 | WALMART                      | 7,683  |
| 13 | EXELON                       | 7,594  |
| 14 | INTEL                        | 7,426  |
| 15 | ENERGY TRANSFER              | 7,407  |
| 16 | SOUTHERN                     | 7,254  |
| 17 | APPLE                        | 7,129  |
| 18 | FORD MOTOR                   | 6,513  |
| 19 | GENERAL MOTORS               | 5,756  |
| 20 | FEDEX                        | 5,255  |
| 21 | DELTA AIR LINES              | 5,168  |
| 22 | UNITED PARCEL SERVICE        | 5,125  |
| 23 | CONOCOPHILLIPS               | 4,482  |
| 24 | ENTERPRISE PRODUCTS PARTNERS | 4,223  |
| 25 | UNITED CONTINENTAL HOLDINGS  | 4,177  |
|    | <b>TOP 25 TOTAL</b>          | <b>226,032</b>   |

\* Based on latest fiscal year through June 30, 2019.  
Data: Company financial reports, PPI estimates



Looking at broad categories, the ten tech, communications/broadband and ecommerce companies on our list had total estimated domestic capital spending of \$127 billion, up from \$100 billion the previous year. This category divides into six tech and ecommerce companies on the one hand (Alphabet, Amazon.com, Microsoft, Facebook, Intel, and Apple) and four communications/broadband companies on the other hand (AT&T, Verizon Communications, Comcast, and Charter Communications).

Looking at the next broad category, the list contains eight companies in energy production or distribution, with a total of \$60 billion in domestic capital spending. This category divides

into energy production and mining (Exxon Mobil, Chevron, and ConocoPhillips) and utilities and energy distribution (Duke Energy, Exelon, Energy Transfer Equity, Southern, and Enterprise Products Partners).

The third broad category is transportation, which included four companies (FedEx, Delta Air Lines, United Parcel Service, and United Continental Holdings). These four companies invested \$20 billion domestically in 2018. Finally, the list included two industrial companies (Ford and General Motors) spending \$12.3 billion domestically, while the lone retailer in the list was Walmart, with \$7.7 billion in domestic capital investment.

**TABLE 4: ESTIMATED DOMESTIC CAPITAL EXPENDITURES BY SECTOR**

| SECTOR                      | ESTIMATED 2018 U.S. CAPITAL EXPENDITURES (MILLIONS USD) |
|-----------------------------|---|
| TECH/ECOMMERCE              | 72,552  |
| COMMUNICATIONS/BROADBAND    | 54,135  |
| UTILITY/ENERGY DISTRIBUTION | 35,867  |
| ENERGY PRODUCTION/MINING    | 23,801  |
| TRANSPORTATION              | 19,726  |
| AUTOMOTIVE/INDUSTRIAL       | 12,268  |
| RETAIL                      | 7,683   |
| <b>TOTAL</b>                | <b>226,032</b>  |

Who is not on the list? Noticeably missing are companies in health-related industries. Partly that's the result of an accounting convention that R&D doesn't get counted as capital expenditures. If it did, then at least a couple of pharma companies would find their way onto the Investment Heroes list, as we discuss later in this paper. (HCA Healthcare appears in the non-energy Investment Heroes list in the appendix).

But more disturbingly, it appears that capital expenditures in the healthcare industry have barely kept up with the rapid growth of workers. For example, in the healthcare and social assistance sector, the stock of productive assets rose by 2.8 percent in 2018, according to the BEA. On one level, that sounds pretty good,

compared to the national average of only 1.7 percent. However, the number of labor hours in healthcare and social assistance rose by 2.3 percent in 2018, just slightly lower than the growth in the stock of productive assets.

## COMPANIES

Now we review each of this year's Investment Heroes individually.

1. According to our estimates, the number one company, Alphabet, spent an estimated \$20.2 billion in 2018 in the United States, far more than any previous years. In essence the company was investing in America, as it boosted its "long-lived assets" in the United States by 36 percent, compared to only a 24 percent increase in long-lived assets outside of the country. The money helped build out the company's network of data centers, real estate and facilities, and information technology infrastructure.
2. AT&T—which has been first on all previous version of our list—spent an estimated \$19.2 billion on domestic capital expenditures in 2018, investing in its networks, product development, and related support systems. Overall, AT&T has pumped \$159 billion of capital spending into America since 2011, far more than any other company.
3. Amazon.com's estimated domestic capital expenditure was \$15.6 billion in 2018, a 30 percent increase compared to 2017. The e-commerce multinational invested in additional capacity to support its fulfillment operations and the cloud segment of its business. As noted in the methodology appendix, that amount includes principal repayments on capital leases as well.
4. Verizon Communications' U.S. capital expenditures totaled an estimated \$14.9 billion, spending on expanding and improving its network and services, including adding capacity to its 4G LTE network, deploying its 5G and Intelligent Edge networks, and reducing the cost to deliver services to its customers. By our estimates, Verizon has put \$125 billion in capital spending into the U.S. economy since 2011, second only to AT&T.
5. Microsoft spent an estimated \$11.5 billion on domestic capital expenditures in its latest fiscal year, an increase of 63 percent over the prior year. The IT giant spent on new facilities, data centers, and computer systems (we recalculated our previously published estimate of Microsoft's domestic capital spending to take into account new data).
6. Comcast invested an estimated \$10.9 billion in U.S. capital expenditures, investing in infrastructure to increase network capacity and line extensions.
7. Facebook spent an estimated \$10.8 billion in 2018 on U.S. capital expenditures. That's an increase of 117 percent year-over-year according to our estimates, spending on data centers, servers, network infrastructure, and office buildings.
8. Exxon Mobil spent \$10.7 billion on domestic capital expenditures by our estimates in 2018, a 74 percent increase compared to 2017. The energy company

primarily invested in its upstream segment, including construction, development, and production related to oil and gas activities.

9. Duke Energy spent an estimated \$9.4 billion on domestic capital expenditures in 2018, investing in grid modernization, maintenance, nuclear fuel, and its renewable energy segment.
10. Charter Communications invested an estimated \$9.1 billion on domestic capital expenditures, including extending, rebuilding, and upgrading its cable network.
11. Chevron spent an estimated \$8.7 billion in 2018, a 37 percent increase compared to the year prior.
12. Walmart spent an estimated \$7.7 billion in its latest fiscal year, investing in e-commerce and technology, store remodels, and new stores.
13. Exelon's U.S. capital expenditure totaled an estimated \$7.6 billion, spending on nuclear fuel, energy generation assets, electric transmission and distribution, and natural gas transportation and distribution facilities.
14. Intel spent \$7.4 billion on U.S. capital expenditures by our estimates, an increase of 40 percent compared to 2017.
15. Energy Transfer invested \$7.4 billion in U.S. capital expenditures by our estimates, primarily spending on natural gas transportation and services. Its midstream segment focused on gathering, processing, and transporting natural gas, as well as interstate transportation and storage.
16. Southern's estimated domestic capital expenditures totaled \$7.3 billion in 2018, continuing to spend on construction programs for new power generation, transmission and distribution, and maintenance.
17. Apple spent an estimated \$7.1 billion on U.S. capital expenditures in its 2018 fiscal year (ending September 2018). The company invested in product tooling and manufacturing process equipment, data centers, retail store facilities, corporate facilities, and information technology infrastructure.
18. Ford Motor invested an estimated \$6.5 billion in domestic capital expenditures, as the company's spending rebounded 132 percent to levels seen in years past.
19. General Motors' U.S. capital expenditures increased slightly in 2018 by our estimates, investing \$5.8 billion.
20. FedEx invested an estimated \$5.3 billion in its U.S. operations in its latest fiscal year, spending on aircraft, vehicles, and facilities for its FedEx Express and Ground segments. That's up from an estimated \$4.3 billion the year before, an increase of \$1 billion, or 23 percent, in domestic capital spending.
21. Delta Air Lines increased domestic capital expenditures by an estimated 33 percent according to our estimates, investing in aircraft and modifying its fleet.

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22. United Parcel Service spent an estimated \$5.1 billion on domestic capital expenditures, investing in automating and expanding capacity at its facilities, new aircraft, and information technology.
- 
23. ConocoPhillips invested an estimated \$4.5 billion in 2018, mostly on development and exploration activities.
- 
24. Enterprise Product Partners invested approximately \$4.2 billion by our estimates, mostly on its facilities and projects to support crude oil and natural gas production.
- 
25. United Continental Holdings' estimated domestic capital expenditure totaled \$4.2 billion, spending on aircraft, maintenance, and information technology.

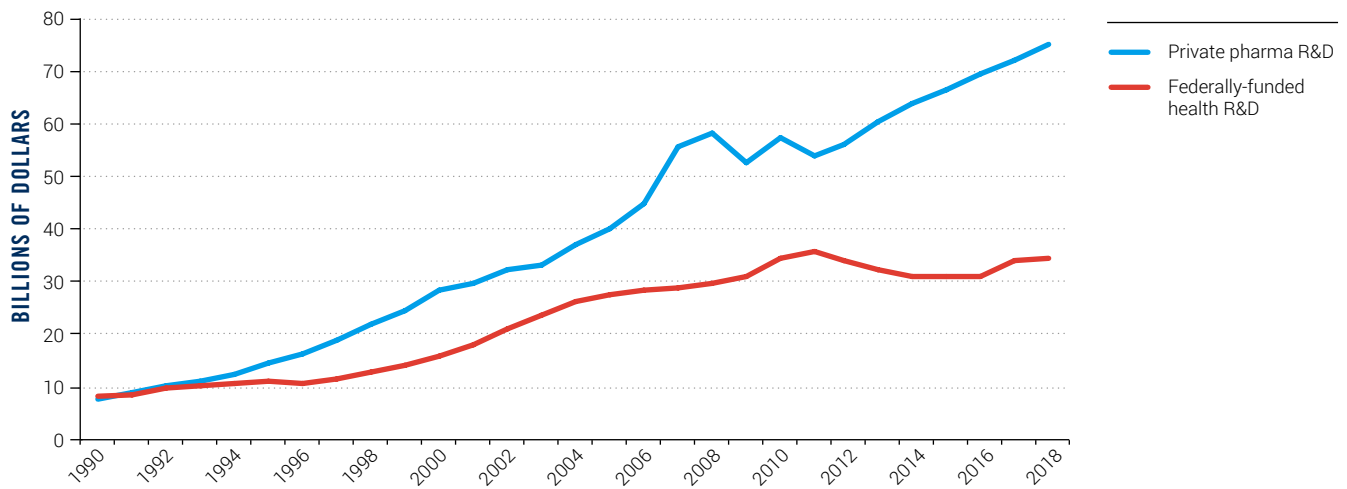
### THE IMPORTANCE OF PHARMACEUTICAL RESEARCH AND DEVELOPMENT

At the beginning of this report we laid out some statistics on capital intensity. Those figures, assembled by the BLS, treat research and development spending (R&D) as capital investment. However, in the financial reports put out by companies, following GAAP accounting rules, capital expenditures does not include R&D spending.

In 2018, the private sector spent \$462 billion in the United States on research and development, according to the latest estimates from the BEA. Much of that money is spent by companies that are already on our Investment Heroes list. For example, the top R&D spender among U.S. companies is Alphabet, which is also the top spender on domestic capital expenditures.

However, one important group of companies commits billions to R&D but do not appear on our list—the pharmaceutical companies. The pharma companies generally spend a lot more on R&D compared to physical capital. For example, Johnson & Johnson reported \$10.7 billion in global R&D spending, compared to \$3.7 billion in global additions to property, plant and equipment in 2018. Our methodology enables us to estimate J&J's domestic capital spending at approximately \$1.5 billion, but we have no way to estimate J&J's domestic spending on R&D. The same is true for other pharma companies as well.

However, we can look at the overall trend. The BEA estimates that domestic business spending on pharmaceutical and medicine manufacturing R&D came to \$75 billion in 2018. That's up 4 percent compared to 2017. By comparison, the federal government only spent \$34.4 billion on health-related R&D in 2018, including all spending by the NIH. This gap between private and federal R&D spending on health has been widening over time.

**FIGURE 3: PRIVATE PHARMA R&D OUTPACES FEDERALLY-FUNDED HEALTH R&D**

Data: BEA, OMB

## POLICY IMPLICATIONS

Everyone agrees that the United States needs more capital spending. The question is how to get there. The TCJA—passed by a Republican Congress and signed by President Donald Trump—has run up huge deficits without doing much to spur a broad-based domestic business investment boom. PPI has been long-time supporters of lower marginal tax rates for corporations, but the investment response is disappointing thus far, for the most part.

On the plus side, some companies have boosted their investment in America. The evidence in this report shows that the tech, communications/broadband and ecommerce companies now lead in domestic capital spending, followed by energy production and distribution and transportation. Pharmaceutical companies invest heavily in R&D.

On the negative side, some industries have been lagging behind. In particular, weak capital spending in the health care industry is holding down productivity growth, raising costs, and dragging down the rest of the economy.

Starting from this point, policymakers should have two goals. First, they should not place obstacles in front of today's Investment Heroes continuing to expand their capital spending in the U.S. In other words, it's a bad idea to try and fix part of the economy that is working well.

Second, proposals for fixing or changing the healthcare system—including shifting to a single payer—should take into account the impact on capital spending. A health plan that cuts costs by reducing capital spending will have the perverse effect of making the healthcare productivity problem worse in the long run. Similarly, proposals to cut drug costs by reducing R&D spending will worsen the country's capital spending shortfall.

Capital spending is the path to better-paid jobs and faster growth. It should be a priority for all progressives.

# Appendix: Methodology

Our U.S. Investment Heroes ranking for 2019 follows the same methodology as our most recent report in 2018. We started with the top 150 companies of the 2019 Fortune 500 list as our universe of companies. We removed all financial companies and all insurance companies except health insurance companies. We removed DowDuPont from our list since the company split into three separate companies on June 1, 2019.<sup>9</sup>

Except as noted, we use the global capital expenditure reported on the most recent 10-K through June 30, 2019, as the starting point for the analysis. In this report, we refer to all estimates as “2018,” even if the fiscal year ended in 2019. Capital expenditures generally cover plant, equipment, and capitalized software costs. For energy production companies, capital expenditures can include exploration as well.

The companies in these rankings are all based in the United States. Non-U.S. based companies were not included in this list because of data comparability issues, although there are many non-U.S. companies that invest in America.

For transportation companies our report estimates the booked location of spending on capital expenditures for the company's most recent fiscal year, rather than how much of those acquired assets are actually being used within the U.S.

Most multinational companies do not provide a breakdown of capital expenditures by country in their financial reports. However, PPI has developed a methodology for estimating U.S. capital expenditures based on the information provided in the companies' annual 10-K statements and other financial documents. After developing our internal estimate, we contact the companies on our top 25 list to ask them to point us to any additional public information that might be relevant. Notwithstanding these queries, we acknowledge that the figures in this report are estimates based on limited information.

Our estimation procedure goes as follows:

- If a company has no foreign operations, we allocated all capital spending to the United States.
- If a company reported U.S. capital spending separately, we used that figure.
- If a company did not report U.S. capital spending separately, but did report changes in global and U.S. long-lived assets or plant and equipment, we used that information plus depreciation to estimate domestic capital spending. As appropriate, we adjust for large acquisitions.
- If a company has small foreign operations that were not reported separately, we

allocated capital spending proportional to domestic versus foreign assets, revenues, or employees.

Some adjustments of note:

- Verizon does not report long-lived assets by geographic region. As a result, we used Verizon's domestic employment as a share of total employment to allocate Verizon's capital spending.
- In the case of Comcast, we allocated all of its cable operation and corporate capital expenditures, including cash paid for intangible assets such as software, to the U.S. We allocated a portion of NBC Universal's capital expenditures, including cash paid for intangible assets such as software, to the U.S. based on domestic vs. foreign revenues.
- For Amazon.com, the methodological issue was their extensive use of capital leases. We used the principal payment on capital and finance leases as the appropriate supplement to capital expenditures.
- For Microsoft, we used the capital expenditures data found online at <https://www.microsoft.com/en-us/Investor/earnings/trended/capital-expenditure.aspx>.
- For Southern, we used "construction in progress" as the best measure of U.S. capital expenditures rather than property additions.
- For consistency, we omitted capital spending by the finance arm of companies such as General Motors and Ford, which reflects the

financing of leased equipment rather than actual direct investment.

### **NON-ENERGY U.S. INVESTMENT HEROES**

As a complement to our complete U.S. Investment Heroes ranking, we also present a non-energy list for 2018 (Table 5). This list ranks the top U.S. companies investing domestically, according to our estimates, that are both non-financial and non-energy.

**TABLE 5: NON-ENERGY U.S. INVESTMENT HEROES: TOP 25 NONFINANCIAL COMPANIES BY ESTIMATED U.S. CAPITAL EXPENDITURE\***

|    | <b>COMPANY</b>              | <b>ESTIMATED 2018 U.S. CAPITAL EXPENDITURES<br/>(MILLIONS USD)</b> |
|----|-----------------------------|--|
| 1  | ALPHABET                    | 20,188   |
| 2  | AT&T                        | 19,209   |
| 3  | AMAZON.COM                  | 15,577   |
| 4  | VERIZON COMMUNICATIONS      | 14,912   |
| 5  | MICROSOFT                   | 11,469   |
| 6  | COMCAST                     | 10,890   |
| 7  | FACEBOOK                    | 10,763   |
| 8  | CHARTER COMMUNICATIONS      | 9,125  |
| 9  | WALMART                     | 7,683  |
| 10 | INTEL                       | 7,426  |
| 11 | APPLE                       | 7,129  |
| 12 | FORD MOTOR                  | 6,513  |
| 13 | GENERAL MOTORS              | 5,756  |
| 14 | FEDEX                       | 5,255  |
| 15 | DELTA AIR LINES             | 5,168  |
| 16 | UNITED PARCEL SERVICE       | 5,125  |
| 17 | UNITED CONTINENTAL HOLDINGS | 4,177  |
| 18 | WALT DISNEY                 | 3,794  |
| 19 | AMERICAN AIRLINES GROUP     | 3,745  |
| 20 | TARGET                      | 3,516  |
| 21 | UNION PACIFIC               | 3,437  |
| 22 | HCA HEALTHCARE              | 3,413  |
| 23 | CENTURYLINK                 | 3,175  |
| 24 | KROGER                      | 2,967  |
| 25 | HOME DEPOT                  | 2,298  |

\* Based on latest fiscal year through June 30, 2019.  
Data: Company financial reports, PPI estimates



The non-energy ranking includes the non-energy companies from our complete ranking but has also made room for other companies. For example, Disney again significantly invested in domestic capital expenditures in 2018, spending on theme park and resort expansion and increasing and upgrading capacity at broadcast centers, production facilities, and television station facilities.

American Airlines spent \$3.7 billion on domestic capital expenditures according to our estimates, a 37 percent decrease compared to 2017. Target makes the list again, increasing U.S. capital expenditures by an estimated 39 percent year-over-year. The company spent on store remodels, new stores, and information technology.

Union Pacific appears on the non-energy list this year after making the main list last year. The railroad spent an estimated \$3.4 billion on U.S. capital expenditures in 2018, investing in maintaining and expanding its rail network and adding new locomotives and cars to increase operational capacity.

HCA Healthcare returns to the 2018 non-energy list, again as the lone healthcare company on either list. The company spent \$3.4 billion on domestic capital expenditures in 2018 by our estimates, a 25 percent increase relative to 2017.

CenturyLink makes its first appearance on our non-energy list after entering the Fortune 150 and thus the scope of our analysis. The broadband company spent \$3.2 billion on U.S. capital expenditures in 2018 according to our estimates, investing in network capacity and new products.

Kroger returns to the non-energy list in 2018 after appearing on our 2017 list. The grocer invested an estimated \$3 billion in U.S. capital expenditures, a modest 6 percent increase relative to 2017.

Home Depot rounds out the top 25 non-energy list in 2018, making its first appearance. By our estimates, the home improvement company spent \$2.3 billion on U.S. capital expenditures in 2018.

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