



Written by [Bob Adelman](#) on January 22, 2016

GE's Move to Boston: Corporate Welfare Through Tax Incentives?

In his rejoicing last week over the decision by General Electric (GE) — a company employing more than 300,000 employees and with annual revenues of \$150 billion — to move its headquarters from Fairfield, Connecticut, to the South Boston Waterfront, Mayor Marty Walsh [claimed](#) that his city had just won the lottery:



Certainly we won Powerball today here in Boston by having GE come here. For two decades we've had companies move out of our city, and now we have people moving into our city, and I think it's a big win....

This is one of the biggest accomplishments in the history of our city.

A closer look reveals that GE won the Powerball lottery at the expense of Massachusetts taxpayers. In order to persuade GE to move its headquarters (an estimated 800 people) to Boston, Walsh and Massachusetts Governor Charlie Baker had to come up with taxpayer-funded bribes totaling at least \$145 million, including helping find homes for some of those moving from Fairfield.

The figure of \$145 million is a rounding error to a company with gross revenues one hundred times greater; however, it appears to be the best deal, all things considered, that GE could strike among those competing for the honor. If it were just about taxes, the move would have made little sense. According to the Tax Foundation, Connecticut is 44th on their "State Business Tax Climate Tax Index" for 2016, while Massachusetts is 25th. Texas, for example ranks 10th, but was never seriously considered during the three years that GE was looking for a new home.

Connecticut tried to coax GE to stay with its own set of enticements, but the overall business climate and recent onerous changes in that state's tax code, which some corporate executives called "inhospitable," wasn't enough.

The move will start this summer and be complete by 2018. GE plans to sell its present 68-acre Fairfield campus and take with it at least some of the \$14 billion that the company spent annually with Connecticut vendors, \$10 million in charitable contributions, and an estimated 50,000 hours its employees have given to Connecticut through volunteer work.

A few years ago the *Boston Globe* reviewed more than 1,300 similar bribes and incentives to see how the taxpayer made out. After counting the cost in subsidies, tax breaks, forgiveness credits, and infrastructure projects offered, the *Globe* concluded that in many, if not most, of them the taxpayer took a hit. It noted the gift of tax incentives to Sepracor, the pharmaceutical company, that applied only after it had already expanded its Marlborough headquarters. The *Globe's* review covered dozens of other incentives, but the one that stood out as the biggest gamble that went bad was that concerning Nortel.



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In exchange for a 15-year tax break, the telecommunications equipment maker agreed to hire up to 800 people at the promised expansion of its Billerica offices.

After the Internet bubble burst, the company was forced instead to lay off thousands. But the tax breaks continued through 2014 anyway. In that case, Nortel enjoyed saving \$1 million in state taxes and another \$1.2 million in local property taxes. Putting that differently, taxpayers anted-up more than \$2 million of their own funds in the bribe that failed.

According to Walsh, the GE deal will pan out over the next 20 years. According to his administration, the direct and indirect benefit from GE's move to Boston should exceed \$260 million over that period. Doing the math, that means that taxpayers won't break even on Walsh's and Baker's largesse and generosity until at least 12 years from now, if then.

When challenged about the sweetheart deal he cut with GE, Walsh defended the move as most politicians do: Everyone's doing it and so we have to as well. He added that not only is this the acceptable and expected thing to do, he's going to do more of it:

Well first of all I'm not one of those people that will criticize government for using tax incentives. The reason why tax incentives are there is to attract and lure companies into your region....

At the end of the day, you can't look at a crystal ball, but two, three, four, five years from now, the other companies that will be joining General Electric here in Boston will be beneficial.

Jeff Jacoby, the only legitimate conservative on the staff of the *Boston Globe*, looked at the bribe and concluded:

Coaxing GE to Massachusetts via perks and favoritism isn't legitimate economic development. It's a corrupting shell game. It compels Bay State taxpayers to enrich a vast multinational [corporation], while knowingly inflicting pain on their neighbors in Connecticut. Baker and Walsh are taking bows, but their crony capitalism is nothing to cheer.

Call it crony capitalism or corporate welfare — the effect is the same: It's a bribe offered by elected officials backed by other people's money.

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.



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