General Electric given $145 million in incentives to move headquarters to Boston

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On January 13, General Electric Company (GE) announced that its corporate headquarters will move from Fairfield, Connecticut, its location for the last 42 years, to the Seaport District of Boston. Government incentives are to be funded by the City of Boston, the state of Massachusetts, and the Federal Highway Administration.

These incentives include property tax breaks, a gift of public property for siting the new headquarters, a private airplane hangar at Hanscom Air Force Base, money for two ferry boats to shuttle GE staff across Boston Harbor and real estate tours of local neighborhoods. Trucks will visit the new headquarters so that GE bigwigs can apply for drivers' licenses, register their automobiles, register to vote, and pre-register their children for school, all with "no hassles, no fuss, just service."

The total cost of these incentives is estimated at $145 million, and the property tax breaks will last for 20 years. GE has promised to bring 800 jobs to the new location; government subsidies for the move will therefore amount to more than $180,000 per job.

The company, which is worth some $290 billion and has a history of avoiding federal income taxes, will also pay no more than eight percent state tax on its net taxable income. Because of this low statutory rate, Massachusetts realizes more revenue from personal income tax and the regressive sales tax than from all income taxes on corporations, which include companies like Raytheon, Fidelity Investments, and State Street Bank.

Of the 800 jobs being brought to Boston, 200 will be executive. The remainder will be "digital industrial product managers," specializing in marketing, software development and engineering as GE seeks profits in energy and physical infrastructure after having shed its financial services subsidiaries.

Boston and Massachusetts politicians, echoed in the news media, are loudly congratulating themselves for General Electric's decision. In his annual State of the City address, Mayor Marty Walsh, a Democrat, called the decision "another step forward for Boston on the world stage." Columnist Shirley Leung of the *Boston Globe* called the decision "all glory" and a chance for GE to "be a good corporate citizen."

Outside of Walsh's speech, however, parents and students protested his plans to cut an additional $50 million from the Boston Public Schools budget in the fiscal year beginning July 1. Cuts in recent years have already led to layoffs, school closures, and last year's decision to cut the school bus budget by making children as young as 7th grade ride public transportation to school. In one example of the deepening austerity, a parent told boston.com this week that "at my daughter's school, we agreed to cut the supply budget to zero to keep as many teachers in the building as possible." At least 2,700 people have signed a petition opposing the new cuts.

School Superintendent Tommy Chang has announced that $20 million of the new cuts will hit central offices. An additional $10 to $12 million will be cut from the education budgets of the schools. A significant portion of the deficit being addressed with these cuts comes from charter school costs that are higher than the state's tuition reimbursement to the city. In the current fiscal year, ending June 30, that amount is $18.6 million.

As for the "glory" of GE's move, the reality is that it will exacerbate income inequality in the most divided city in the country. One of the perks promised the company by Boston is a trolley tour of neighborhoods with staff of the Boston Home Center to "showcase different housing stock" for the pampered executives and product managers. Working people in the city, however, have to contend with rents that are not just among the highest in the nation but also increasing much more quickly than the national average.

Tens of thousands of workers face these costs while being paid wholly inadequate wages. The Brookings Institution, analyzing data from the 2014 American Community Survey, has calculated that the household income at the 20th percentile in Boston proper is only $14,492; for the greater Boston area, the figure is $27,883. Household income at the 95th percentile—a more likely level for those receiving trolley tours of trendy neighborhoods—is $266,224 in the city of Boston and $293,653 in greater Boston.

Brookings used these numbers to calculate that the city of Boston has the highest income inequality in the US. The greater Boston area is the sixth most unequal region. The Bridgeport Connecticut region, next to Fairfield, is the most unequal.

In Massachusetts, the two big business parties have no differences on the move. Governor Charlie Baker, a Republican, and Mayor Walsh have been praised by the *Boston Herald* for their "united front." Baker told the paper "that there was no daylight between the administration at the state level and the administration at the city level," and Walsh agreed that "this opportunity would not have happened if we did not have a collaboration between the Republican governor of Massachusetts and the Democratic mayor of Boston."

Edward Markey, a Democrat and the state's junior senator, has said that GE's new slogan should be "we bring good things to Mass." Senator Elizabeth Warren is a bit less glib, having built her reputation on posturing against corporate greed. However, despite her past criticisms of Boeing, GE and Verizon for their avoidance of federal taxes, Warren is, by the very nature of her job, now forced to represent GE's interests. After the announcement of the move, she issued a written statement to *Politico* saying, "I'm glad that the company will be able to draw on the tremendous resources in the Greater Boston area as it continues to grow."

GE's move to Boston coincides with a reorienting of its business from credit cards and other financial services to productive industries. After the 2008 crash, its GE Capital division was deemed "too big to fail" by federal regulators. According to the *Motley Fool* web site, this designation meant more regulation, which GE didn't want to face.

It therefore transformed its multibillion-dollar credit card business into a new company called Synchrony Financial, of which the parent company owned 85 percent at first. GE then swapped shares in the new company for GE stock held by shareholders, and the incoming GE shares were then retired. According to *Motley Fool*, GE has reported that net dividends of $35 billion were returned to the parent company through this secretive swap. GE is planning $8 billion in dividend payouts in 2016, and $18 billion of stock buybacks.