

Bipartisan corporate bailout gives \$17 billion to Boeing

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The bipartisan corporate “rescue” package awaiting approval by the House of Representatives carves out of its more than \$1 trillion in taxpayer handouts to large businesses some \$17 billion for airplane manufacturer Boeing. The company’s cut is part of a \$75 billion bailout of the airline industry as a whole.

Though Boeing is not explicitly named in the bill, the provision of \$17 billion for commercial air companies that are “important to maintaining national security” is deliberately worded to apply to the nation’s biggest airplane manufacturer and second biggest defense contractor. In a recent press conference, Trump underscored the special treatment for Boeing, saying, “Yes, I think we have to protect Boeing. We have to absolutely help Boeing.”

The company may also have the opportunity to draw from the \$500 billion set aside for corporate bailouts in general.

Boeing shares rose more than 25 percent on Wednesday on the heels of the unanimous Senate passage of the bailout bill in the early morning hours. They extended their gains by an additional 15 percent on Thursday, closing at \$180. The company’s shares have risen four straight days in anticipation of adoption of the gargantuan fiscal measure. Its share price had fallen from a high of \$440 in March of 2019 to a 52-week low of \$89 this year.

The rescue of Boeing by the federal government comes one year after the grounding of Boeing’s flagship 737 Max 8 aircraft in the wake of two crashes—Lion Air Flight 610 outside of Jakarta, Indonesia and Ethiopian Airlines Flight 302 from Addis Ababa, Ethiopia. Both occurred shortly after takeoff as a result of a fatal design defect and the company’s rush to bring the new plane onto the market.

To date, no executive who oversaw production of the

plane or regulatory official who approved it has been charged, much less prosecuted, for the development, manufacture and marketing of the deadly plane and the death of 346 passengers and crew on the two flights.

As has now been proven, the crashes were caused by a piece of software known as the Maneuvering Characteristics Augmentation System (MCAS). It was installed by Boeing to compensate for the Max 8’s tendency to stall, a byproduct of attaching a newer, larger engine onto the half-century-old Boeing 737 chassis.

The aerospace giant used an old airframe in order to save time and money in bringing to market a new model to compete with European-based Airbus for market share and profit, particularly in the expanding Chinese market. It sold the plane to airlines with the claim that 737 pilots required little additional training, such as flight simulator training, to fly the new model.

In the aftermath of the crashes and the grounding of the Max 8—which both Boeing and the Federal Aviation Administration (FAA) initially opposed—a myriad of reports from aviation safety agencies internationally and leaked internal emails from Boeing employees and officials have established that the company was well aware of the dangerous flaws in the aircraft, but carried out a cover-up in order to get the plane into the air.

The 737 Max 8 disaster has caused a sharp drop in Boeing’s income and share value over the past year. The company’s airplane sales plummeted from 893 in 2018 to just 54 in 2019, and it shuttered its production of the Max 8 aircraft in January. It has also been forced to borrow \$13.8 billion to cover some of the estimated \$20 billion lost in the wake of the grounding. At the same time, airlines have massively reduced the amount of new planes they are buying in response to the drastically reduced demand for air travel stemming

from the pandemic.

Boeing officials claim that the cash infusion from the government “will be used for payments to suppliers to maintain the health of the supply chain.” However, its actions in the wake of the 2008 bailout of Wall Street indicate that the bulk of the money will go to push up Boeing stock and the wealth of executives, hedge funds and major shareholders, which is tied to the massive inflation of share values.

From 2014 to 2019, it spent just under \$60 billion on stock buybacks and dividends, all of which went into the pockets of its wealthy investors and top shareholders. This includes ex-CEO Dennis Muilenburg, who oversaw the introduction of the deadly Max 8 jet.

It is worth noting that the \$60 billion figure equals what Boeing requested from the government last week. In a statement, the firm said it “supports a minimum of \$60 billion... for the aerospace manufacturing industry.” Boeing would receive the lion’s share of any such bailout.

The massive sums being provided to Boeing sharply contrast with the pittance the corporate giant has provided for the 346 families that lost loved ones in the two crashes. Each received a mere \$144,500 per crash victim from an account that is overseen by notorious Wall Street “fixer” Kenneth Feinburg. He is acting to defend the airplane manufacturer’s profits and refurbish its public image.

The money to the crash victims also pales in comparison to the money made by the current suite of Boeing executives who sold off a great deal of stock just before the markets began to tank at the end of February and beginning of March. These include President and CEO of Boeing Defense Space & Security Leanne Caret, who sold \$5.9 million worth of stock, Executive Vice President Ted Colbert (\$2.4 million), Senior Vice President B. Marc Allen (\$2.3 million) and President and CEO of Boeing Commercial Airplanes Stanley A. Deal (\$2.5 million).

During this same period, these executives rewarded themselves with gifts of stock worth, at their 2019 height, \$3.9 million, \$2.3 million, \$1.7 million and \$4.0 million, respectively. At least nine other members of Boeing’s leadership received similar sums in the past month.

Boeing’s major investors also stand to make a killing

off the company’s rising share prices. These include The Vanguard Group, Inc., which currently owns \$11 billion in shares, Newport Trust Co., with \$8.4 billion, and T. Rowe Price Associates, Inc., holding \$8.2 billion. If Boeing’s stock returns to its previous values, these companies stand to more than double the value of what they currently own.



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