

RESPONSE TO GE HOAX REVEALS HOW BADLY PRESS UNDERSTANDS MULTINATIONAL CAPITALISM

The AP wrote a story on the hoax GE Press Release reprinted in its entirety below; after GE informed them it was a hoax, they withdrew the story.

But of the reports on the hoax, few seem to get it.

Business Insider notes it “OBVIOUSLY reads like a hoax” because of “comments in there about new policies about creating one American job for every one created abroad.” And the Chicago Tribune included this much of the explanation a self-described member of the Yes Men—which claimed credit—offered in an interview:

The “Yes Men” sent the release to draw attention to GE’s approach to taxes, Boyd said in a phone interview.

Yet aside from that, most of the coverage has focused on GE’s explanations for why they’ve paid so little in taxes, pointing to GE Capital’s big losses in recent years.

That is, no one really wants to report on what GE’s approach to taxes *is*. To the extent they do, they accept GE’s explanation unquestioningly. But if the AP had a sense of what GE’s real approach to taxes is, they would never have fallen for the hoax in the first place.

As such, the reporting on the hoax is revealing much about press ignorance.

Here is the explanation Jeff Immelt offered for GE’s tax scam a few weeks ago at DC’s economic

club:

Now GE has taken criticism lately over our tax rate over the past two years. Like any American, we do like to keep our tax rate low. But we do it in a compliant way and there are no exceptions. The reason why our tax rate was so low in 2009 and 2008, or 2009 and '10 is simple. We lost \$32 billion in GE Capital as a result of the global financial crisis. Our tax rate will be much higher in 2011 as GE Capital recovers. But make no mistake, make no mistake. Business rarely speaks with one voice about anything. About anything. But we do on taxes. That's because our system is old, complex, and uncompetitive. The purpose of the tax code should be that everyone pays their fair share, including GE. But it also should help to promote jobs and competitiveness and it does the opposite today. Like most of our business colleagues, GE favors closing loopholes, a lower corporate rate, and a territorial system. This would put us in line with every other developed country in the world – Germany, Japan, United Kingdom – all of them. Taxes are an important part of jobs and competitiveness and we think it deserves a healthy debate.

Now, this speech was reported credulously by the press, which in and of itself is a testament to the sorry state of our journalism. That coverage allowed Immelt to focus on loopholes in the corporate tax system and not the entire system of havens that multinational businesses like GE exploit. It accepted Immelt's claim that all the losses GE Capital took took place in the US, but doesn't ask why GE Capital's profits of years past weren't themselves registered in the US. And it accepted that Immelt's claim that taxes are about the competitiveness of one country

over another, rather than the optimization of taxes over many countries.

Compare what real Jeff Immelt had to say to his corporate buddies a few weeks ago with what this hoax release says. Hoax Immelt focuses on GE's use of tax havens as a strategy to avoid taxes.

Immelt acknowledged no wrongdoing. "All seven of our foreign tax havens are entirely legal," Immelt noted.

And the changes Hoax Immelt lays out to fix the problem also focus on multinationals' ability to shift profits from jurisdiction to jurisdiction to avoid taxes.

Immelt outlined several concrete steps he would take to push for modernized tax policies that reflect the realities of the global economy. "I will personally ask President Obama to work with Congress to require country-by-country reporting by multi-national corporations of the sales made, profits earned and taxes paid in every jurisdiction where an entity operates. Instead of moving money via "transfer pricing," corporations ought to pay taxes in the jurisdictions where profits are actually made. If Congress is able to establish standard industry-wide solutions, GE will close our tax haven operations abroad, including our subsidiaries in Bermuda, Singapore and Luxembourg."

In other words, Hoax Immelt gets right to the core of the tax cheat strategies of all multinationals, not just those that have become finance companies while they gut their manufacturing operations in this country.

Sure. As Business Insider noted, Hoax Immelt's claim that GE would create one job here for every job it created overseas should have been a tip-off that this Press Release couldn't possibly come from the company that has been

shipping jobs overseas. But the larger point of the hoax—the improbability that GE would stop its shell games to avoid taxes—seems to have entirely skipped the notice of most coverage of this so far.

——- Forwarded message ——-

From: GE Communications

Date: Wed, Apr 13, 2011 at 5:43 AM

Subject: FOR IMMEDIATE RELEASE: GE Responds to Public Outcry – Will Donate Entire \$3.2 Billion Tax Refund to Help Offset Cuts and Save American Jobs

To: ge.communications@genewscenters.com

GE Responds to Public Outcry – Will Donate Entire \$3.2 Billion Tax Refund to Help Offset Cuts and Save American Jobs

Fairfield, CT, 13th April, 2011– GE CEO Jeffrey Immelt has informed the Obama administration that the company will be gifting its entire 2010 tax refund, worth \$3.2 Billion, to the US Treasury on April 18, Tax Day, and will furthermore adopt a host of new policies that secure its position as a leader in corporate social responsibility.

“We want the public to know that we’ve heard them, and that we know many Americans are going through tough times,” said GE CEO Jeffrey Immelt. “GE will therefore give our 2010 tax refund back to the public and allow the public to decide how to spend it.”

Immelt acknowledged no wrongdoing. “All seven of our foreign tax havens are entirely legal,” Immelt noted. “But Americans have made it clear that they deplore laws that enable tax avoidance. While we owe it to our shareholders to use every legal loophole to maximize returns – we also owe something to the American people. We didn’t write the laws that let us legally avoid paying taxes. Congress did. But we benefit

from those laws, and now we'd like to share those benefits. We are proud to be giving something back to America, and we are proud to set an example for all industry to follow."

Over the coming weeks, GE will conduct a nationwide survey to determine how the company's \$3.2 billion returned refund is to be allocated. The survey will be conducted both online and offline, and will permit the public to weigh in on which of the recently-enacted budget cuts they would like to see reversed.

In tandem with the gift, the company is also announcing a host of new policies to restore public faith in the GE brand, including a commitment to keep American jobs in America, and to create one U.S. job for each new job created abroad. The ambitious plan will overhaul accounting systems to allow public transparency and phase out the use of tax havens in five years. "Given my recent appointment as President Obama's Chairman of the Council on Jobs and Competitiveness, it is no longer appropriate for GE to engage in practices that, whether by fact or perception, are at odds with the greater good of the nation," Immelt said.

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Further details on GE's new policy will be released in the coming weeks.

About GE

GE (NYSE: GE) is an advanced technology, services and finance company taking on the world's toughest challenges. Dedicated to innovation in energy, health, transportation and infrastructure, GE operates in more than 100 countries and employs about 300,000 people worldwide. For more information, visit the company's Web site at www.ge.com.

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