

Tax subsidies to business do not work

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David Cay Johnston has a [fascinating article on Tax Analysts](#), now released from behind a firewall. As he notes:

The fast-increasing use of tax incentives by all 50 states has failed to increase jobs or investment, two respected experts on state tax policy found after reviewing more than 50 years of giveaways.

This year, state government subsidies to corporations, partnerships, and other businesses in New York state alone will total \$1.7 billion, triple the giveaways in 2005, according to the new study. That's \$235 taken from the average Empire State household this year and redistributed to business owners on the theory that redistribution will create jobs.

During those years, the number of jobs in New York declined, the state's official jobs data website shows. The total number of New Yorkers employed in 2012 was down 175,000, or 2 percent, compared with 2005.

Think of it this way: Over nine years, the state of New York gave businesses roughly \$10 billion, or almost \$1,400 from each household, in a jobs program that eliminated 175,000 jobs at an average cost of \$57,000. And that's just state-level subsidies, not those from industrial development agencies.

In fact, it's worse than that. As David notes:

When combined with many previous reports, the Rubin and Boyd study shows that state and local giveaways to corporations simply redistribute wealth upward without increasing jobs. Their continued existence is a testament to the benefits of being politically connected.

In effect, those tax programs artificially inflate profits while reducing revenue for programs that do add to wealth creation and employment.

Like education and childcare.

I have no doubt that the trend is capable of generalisation in this case. It's one reason why I argue that a lot of tax reliefs simply aren't needed and should be scrapped now.