



# Analytics

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**RE: Does Amazon need \$7.5 million from taxpayers?**

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**The state of Delaware has secured an agreement by on-line behemoth Amazon to locate a regional fulfillment center near Middletown in exchange for \$7.5 million of state grants and road construction. Is this a good deal? No or yes?**

**On one hand this can be seen as another example of corporate highway robbery. As of 2010 Amazon's gross revenue was \$34 billion, up 46% from 2009. Given the expansion of the product lines carried by Amazon and their continued investment in information technology, 2011 should see a double-digit rise in revenue as well.**

**Amazon is riding a wave of cash. Their simple business model is a small percentage of an ever larger size gross flow. This is backed by cutting edge computer and logistical systems, consumer research, and the increasing willingness of customers to shop on-line. As important, at this point, they are far ahead of any serious competitors.**

**On the other hand, as CRI has recognized before, Delaware is in competition with other states for firms and often the wheels have to be greased. The Delaware Economic Development Office is increasingly tying grants to job creation targets, often through convertible loans. Moreover, Amazon is hot and the risk of the firm not producing the 850 jobs at this time is low.**

**The majority of the jobs will require no more than a high school education. This couldn't come at a better time given the high rates of unemployment among Delaware residents with less formal education. The occasional seasonal surge in hiring will be a plus to retail spending and restaurants around Middletown as well.**

**And, it may well be that the promised \$4 million in road improvements will encourage other industry development to the west of Middletown.**

**Compared to heavily subsidized fuel cells and expensive hybrid cars with no established markets or service system, Amazon is a clear winner for Delaware.**

**Dr. John E. Stapleford, Director  
Center for Economic Policy and Analysis**