

The Sun

Scheme of Connecticut To Lay Tax Against Yale May Incent It To Leave

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Maybe Yale should leave.

That's the reaction of at least one Yale graduate, the Cato Institute's Walter Olson, to the news that the Connecticut state legislature is reportedly considering imposing a new tax on endowment income of universities with endowments larger than \$10 billion.

As proposed, the tax would apply to precisely one institution, the Ivy League college now situated in New Haven.

If Yale were to react by picking itself up and moving to somewhere more hospitable, it certainly wouldn't be the first Nutmeg State employer to do so. GE recently announced that it is moving its headquarters to Boston, Mass., after Hartford lawmakers raised the company's taxes five times in five years.

Relocating an entire university — with students, professors, graduate schools, a library, an art museum, a teaching hospital, a football stadium, and even a forest — is more complicated than simply moving a corporate office that employs about 800, which is what GE is doing.

But it's not impossible, either, or even entirely unprecedented. Yale already moved once before, back in 1716, when its trustees voted to leave Saybrook for nearby New Haven.

If Yale were to follow GE to Boston, there would certainly be some advantages. The annual road trip for the Harvard-Yale football game would be dramatically shortened. Harvard's introductory computer science class, CS50, is already the most popular course at Yale, as taught by a video link from a Harvard lecture hall. If Yale were in Boston, Yale students could attend the Harvard class in person rather than electronically.

Yale students in Boston could attend Red Sox games at Fenway Park or watch major league hockey (Bruins) or basketball (Celtics). No major league sports team calls New Haven home; the entire state of Connecticut hasn't had a big league pro team since the Hartford Whalers decamped to North Carolina in 1997.

International students at Yale will have an easier time getting back and forth from home via Boston's Logan International Airport, which offers nonstop service to nearly 50 international

destinations, than from Connecticut's Bradley International Airport, which offers nonstop flights abroad only to Montreal and Toronto.

Even the star Yale professors will be able to pay lower taxes if the university moves (though their housing costs might increase); Connecticut's top individual marginal income tax rate is 6.99%, while Massachusetts applies a more modest, and flat, 5.1% rate to individual income.

Perhaps even a threat by Yale to move would force Connecticut to rethink its endowment tax plan.

The tendency to see college and university endowments as inviting targets for taxation is a bipartisan one. Connecticut's legislature and governor's office are controlled by Democrats. But a couple of years ago, Republicans in the Congress introduced a plan to impose an excise tax on private universities with endowments of at least \$100,000 for each full-time student. If a college wanted to avoid that one, it would have to move out of the country, rather than just across a state line.

If nothing else, the prospect of having a portion of its endowment income seized to subsidize the operations of state government — including competing public colleges, like the University of Connecticut — may be an educational moment for Yale to rival anything that is taught in the university's economics department or school of management.

It's a lesson in the risks of redistribution, in the power of incentives, in the price-tag of big government, and in the competition between states that is part of the genius of federalism.

It also teaches something about taxation without representation, and about the consent of the governed, when all the non-Yale colleges and non-New Haven towns gang up to impose a tax on Yale's endowment to pay for their own services. It's not too different from when the state raises individual income tax rates to soak a few Greenwich hedge fund managers and stick them with the bill for more of the state's operating costs.

GE's new Boston headquarters will be a stone's throw from the Boston Tea Party museum, two replica ships that sit on a harbor wharf as a reminder of where the great American Revolution against unjust taxation began. If Yale were to move nearby, there would be a certain symbolic resonance to the whole thing. Maybe the Connecticut politicians could stop in on a side trip and learn something about the Boston Tea Party when they visit for their next Yale reunion.