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Testimony to IDA Board on New York Stock Exchange Financing

Testimony of Jonathan Bowles, Research Director, Center for an Urban Future, before New York City's IDA Board on the question of New York Stock Exchange Financing

by Jonathan Bowles

Good morning and thank you for the opportunity to testify. My name is Jonathan Bowles and I am the research director of the Center for an Urban Future, which is a non profit policy institute that issues reports about issues important to the future of New York City—particularly economic development, workforce development and higher education.

I am here to testify about the financing proposal for the New York Stock Exchange now before the IDA Board. Before I begin, however, I would like to applaud the staff of EDC for its ongoing work in helping companies displaced by the tragic attack on the World Trade Center. From what I have seen and heard, the staff has done a tremendous job.

The New York Stock Exchange is one of the city’s most vital industries. One cannot underestimate its importance to thecity’s economy and to lower Manhattan’s international finance sector.

But I have strong doubts about the wisdom of the current proposal to use massive subsidies and tax incentives to help the exchange build a new trading floor. According to published reports about the proposal now before this board, the cost to New York City and New York State in cash assistance and tax breaks could easily exceed $1 billion. Even in ordinary times, that amount would be significantly more than is warranted. But in light of the events of September 11th and the current budgetary crunch facing the city and state, such an expenditure would now be downright irresponsible.

I have several questions about this proposal that, to my knowledge, have been unanswered by officials at EDC:

Does it really make sense for the public sector to pour hundreds of millions of dollars into a new trading floor for the NewYork Stock Exchange at a time when financial exchanges around the world have been rapidly converting to less employee-intensive electronic trading systems? Already, we know that the New York Mercantile Exchange has eliminated more than 10 percent of its workforce since this administration, in 1994, provided it with cash assistance and tax breaks estimated at $184 million.

Is the stock exchange's threat to relocate to New Jersey a credible one? I understand the difficult position of the agency in this regard. Perhaps you believe that you cannot take the risk to find out the answer to this question. But if the ultimate goal is to retain the hugely important financial industry in the city, hasn't the city already taken steps to do this by inking corporate retention deals with dozens of the financial firms that regularly conduct business with the stock exchange? After all of the deals, is a billion dollar incentive package really necessary to retain the exchange? If so many of its member companies have already committed to keeping their top staff in Manhattan, wouldn't that be enough to convince exchange officials to remain where they are?

And while there has been some speculation that the exchange could relocate to New Jersey, don't forget that the individuals and companies that do business with the exchange come not only from New Jersey, but also from the five boroughs of the city as well as from Westchester, Long Island and Connecticut. What ultimately makes Manhattan the most attractive location for the stock exchange is that it is a convenient and accessible location for the entire region. Jersey City may have available office space and a growing cluster of financial firms, but it is not even close to Manhattan when it comes to accessibility.

There are better ways to spend tax dollars to keep the exchange in lower Manhattan. One is to improve transportationaccess to the area, including the extension of the LIRR and/or Metro North to the area. This would be a substantial investment, one that the city could not do on its own. But it would be the most effective way to ensure that lower Manhattan continues to be an anchor for the stock exchange as well as all sorts of companies that have a significant number of employees who live in the suburbs.

Make no mistake, there is a huge need to retain the stock exchange in New York. EDC is right to make an effort to keep it anchored in lower Manhattan. But this current plan is not the way to do it. I urge the board to reject this proposal.

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