Resolved: Assuming Amazon would accept, Connecticut should provide an incentive package comparable to New York City's.

I'm Really Upset About Losing Amazon's HQ2

Slate, By MIKE PESCA, FEB 15, 2019

New Yorkers thought they'd actually give money to Amazon. Both politicians and the press failed to give them the facts.

New York Mayor Bill de Blasio had called Amazon's decision to move to Queens the single biggest economic development deal in New York City history. And that means he just lost the single biggest economic development deal in New York City history.

Amazon was supposed to get $3 billion in subsidies. In exchange, New York state was to get $27 billion flowing into its coffers. Any business in the world would have gotten most of those subsidies by law. Not just the massive, wealthy ones.

Maybe the narrative around Jeff Bezos and his helicopter bothered you, but let's not focus on emotion. Let's focus on the $3 billion in subsidies and $27 billion over 25 years that Amazon would have given the state and city. (New York City's total budget is $89.15 billion.) Both of those numbers might be inflated by activists on each side, but they don't seem so far out as to be called bullshit upon (a service I provide).

We could offer poor, down-on-their-luck business owners some subsidies when they bring 25,000 jobs into New York City, but I don't think those are the types who have 25,000 jobs to create. It's almost as if the more great-paying jobs a company has to offer, the more likely it is that its CEO is very well-compensated. There are exceptions, but this is the rule, and it shouldn't have upset New Yorkers to the point of saying "no" to billions of dollars in investment.

Amazon didn't need the subsidies. It just wants them. But isn't this just an example of the rich getting richer? It is, by $3 billion. But you know who else would have gotten richer? Every New Yorker, by $27 billion. Of course, there are only 20 million New Yorkers, so it really comes out to only around $1,350. If I offered you $1,350, but it meant that a very, very wealthy man who doesn't need the money would also get rich, would you take that? I'm sure within Amazon they tell employees, "Guys, we had a great quarter, and you're all going to get a raise," and some socially conscious employees say, "Wait a minute, if we had a great quarter, and I'm getting a raise, does Jeff Bezos also benefit?" Indeed, he does. "Then I reject my raise." Yeah, right.

New York Gov. Andrew Cuomo stuck by the deal, though he mostly was worried that this or that agency could kill it. But he thought he could work the angles in Albany, shepherd the deal through, and let the naysayers be damned. Whereas Amazon wound up saying, "Damn those naysayers, because every other city in America really likes us."

De Blasio was far much less full-throated in his defense of Amazon. On MSNBC days after the announcement, he said: "A smart government says, 'We're here to bargain for the people. We need to get a lot back for the people.' There's no question in my mind that that's what we're going to achieve here." In recent days, he seemed much less cheerleader and more defense coordinator. He continuously made the point that he didn't have any control over most of these subsidies. It's a fair point, but it's not trying to get the public to rally around the deal. It's almost as if he wanted to still maintain his credibility with the progressives, as opposed to do everything he could to help the city.

I'm really upset. And I'm upset not because I was on the losing side of what I think is a fair debate. I really believed this would be good for the people of New York. It would be a strain on the specific neighborhood, Long Island City, that Amazon was going to go into. But I know that what defeated this deal was mostly asinine misperceptions and ignorance. I would have loved to sit down with de Blasio and Cuomo and give them a little communications advice.

We have a PR problem here. All we need to do is educate people about a fact: Most New Yorkers think their taxes actually go to Amazon: that when they write a check at the end of the year to New York City, or New York state, or when they get some of their paycheck money withheld, some portion of that would go to Amazon and Jeff Bezos' helicopter. We know that's not true.

Maybe we make fun of Bezos and his helicopter, vilify him a little bit. Maybe we say: Your taxes are not going to woo Amazon. That's not how it works. What we did is we gave Amazon a coupon or did what a bar does for happy hour.

You could be a little humble. You could say, “I hear the community, and we’re going to look into this in the future, and maybe we’re going to not be as generous with the size of this coupon. We gave them a 10 percent off coupon. Maybe we should have given 5 percent. Let’s talk about it.” I know everyone who owns a stop-and-shop supermarket says, “Why should I give any discount? I got a great supermarket here.” Because if you don’t do a discount, you might get no money. And we didn’t want to risk it.

If you’re against this Amazon deal, you’re against the billion dollars a year for the rest of us.

Here’s how the math works: We get 25,000 employees. They’re making an average of $150,000 each. That’s $400 million. There’ll probably be more employees than that, and they’re probably going to get paid more than that. It’s a great deal. You’re getting richer, too. Is Amazon getting richer? Yeah. That’s fine. You’re getting richer.

People love when you do this part, and you should mean it: That Long Island City subway station is going to be really crowded. If you rent in Long Island City, your rent is probably going to go up. Say “Long Island City” over and over. Make it salient that this is a tension between Long Island City and everyone else. It’s a little selfish on people’s part, but it’s a rational selfishness. They might start to think, “It is sad that Long Island City gets screwed, but I want that money for me, the New Yorker who doesn’t live in Long Island City.”

Let’s say Madison Square Garden announced a plan to add 59 seats. Would you say, “We can’t do it”? Fifty-nine seats, compared to the capacity of Madison Square Garden, is proportionally the same as 25,000 jobs in a city of 8.6 million people. Let’s say we’re adding 36 more taxis. Are you really going to worry about “What are we going to do with all the extra taxis?” But 36 more taxis, out of the 13,000 taxis, is the same as an increase of 25,000 to a city of 8.6 million people.

The most important number is $27 billion. It’s more than a billion dollars a year for 25 years. Don’t you want those billions? We’re going to help Long Island City. If you’re against this Amazon deal, you’re against the billion dollars a year for the rest of us. This is the rest of us versus the activists and, perhaps, one very vocal member of Congress who’s from the neighboring district of Long Island City.

If you were wondering, this site was not even in Rep. Alexandria Ocasio-Cortez’s district. It was in Rep. Carolyn Maloney’s district. Maloney has been in office for 26 years. She was steamrolled by the more impassioned Ocasio-Cortez, who has been in office for 43 days. My message to Maloney, who is pro-Amazon but didn’t do anything about it, is about a communications overhaul. I would tell her: Get a new communications director or, better yet, a whole new media staff. Or, you know what, just quit Congress. Because if you’re going to get dunked on like this, it will be an embarrassment to you personally and a disservice to the people of New York who just lost out on—one more time for the people in the back—a billion dollars a year.

New York Doesn’t Need Amazon’s Sweetheart Deal

The New York Times, By Bryce Covert, Contributing Opinion Writer, Feb. 14, 2019

Huge incentive packages are a burden for taxpayers. Other cities should follow New York’s lead.

It’s an extraordinary moment. Amazon just said, “Goodbye, New York,” announcing that it was pulling out of its plans to open a headquarters in New York City, in exchange for which the city and state had promised as much as $3 billion in incentives.

These kinds of economic incentive deals are typically struck with little public oversight and get support from voters who seem satisfied that their leaders have at least tried to create jobs. But New York’s rage at Amazon’s sweetheart deal may finally signal a sea change in how the public reacts to these billion-dollar boondoggles.

In an age of rising rents and stagnating wages, after corporations just got a big handout from the Republican tax bill with much less relief for struggling families, as income inequality continues to ensure that the profit of our economic productivity is skimmed off by those at the top, the era of such incentive deals may be coming to an end.

Amazon’s departure comes after months of organizing and advocating against the deal by activists who canvassed door to door in Queens, arguing that the arrival of the online retail giant would bring rent hikes and displacement. They were joined by politicians, some of whom reversed course and started bashing the company they had once tried to lure to the city.

While not all of those who spoke out against the deal wanted it scrapped, they were united by a common concern: Why does a company with billions in profit need billions of New York’s money to bring 25,000 jobs to a city where it already has a significant presence? Especially after the company admitted that such enticements were a secondary factor in its decision making? That question gained urgency as it became clear that leadership had offered up lots of goodies, like help obtaining helipads on its buildings, without securing guarantees from Amazon in return, such as a promise from the company to remain neutral if its employees unionized.

Amazon probably didn't expect such a vehement backlash. After all, these kinds of deals are struck by American cities all the time, although usually with less fanfare and somewhat lower price tags. Thousands were inked just last year. That's partly because the public doesn't usually scrutinize them very closely. Companies tend to fend off efforts at making the details transparent, particularly when they may not have lived up to the original promises made. If the public did dig into tax incentive deals, like the one offered to Amazon to come to Long Island City, they would find out that they don't have the intended impact. There's little correlation between cutting deals with big companies and improving a state's employment or income picture. Most incentives go to employers that would have come to the state, anyway.

At the same time, New York City's victory shows how difficult these deals can be to fight. The company said in its announcement ending the city's deal that it doesn't plan to reopen a search to replace New York, which was the second location, along with Northern Virginia, for its HQ2 expansion. But that doesn't mean other places won't try to cash in on what they see as New York City's misfortune. Over the past several weeks, as the fight in New York worsened, Virginia officials said they'd welcome New York's share. Cities that lost out, such as Chicago, Miami and Newark, went back to Amazon to try to woo it once again.

If Amazon were to, say, accept the whopping $7 billion offered by Newark, less than 20 miles away, and open up its headquarters there, proponents of the Long Island City deal would almost certainly throw a tantrum. Their protests would ignore the costs that the city faced, both in incentive dollars and in the demands on the city's already overburdened housing, public transportation and schools from so many more high-income residents moving to the city. They would also ignore the reams of evidence that these deals typically fail to produce meaningful economic results.

But it's this race to the bottom — to keep offering companies top dollar in order to beat out the competition — that has fueled the growth in these incentives, which have more than tripled since 1990. Politicians have been backed into a corner: offer up a hefty payout to at least get in the running for a company's jobs, or risk the appearance of passing up an opportunity for job growth.

The only way out of the mess is for local and state leaders to wake up to the futility of these kinds of deals and call a truce. If another city succeeds in securing the 25,000 Amazon jobs promised to New York, the mania will only continue. Instead, it's time for communities and their elected officials to recognize what New York already has: Big dollar tax breaks aren't going to save their economies. They come with a real cost. The best way to compete is to invest in the attributes that make them attractive to employers — like education and infrastructure — and let companies make their decisions on the merits.

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Amazon, New York and the End of Corporate Welfare

The Wall Street Journal, By Mene Ukueberuwa, Feb. 18, 2019 2:49 p.m. ET

Special tax breaks do little to spur the economy. Now they're becoming politically unpopular too

Are New Yorkers better off after Amazon's decision Thursday to cancel its planned headquarters in the Queens neighborhood of Long Island City? It's a complicated question, weighing the benefits of new high-earning residents against the added strain on local services. Yet the pullout could lead to a decisive triumph for taxpayers across the nation, as city and state officials start to reckon with the popular backlash against corporate tax incentives.

From the day Amazon announced the new headquarters last November, city and state officials drew widespread criticism for offering Amazon $3 billion in tax breaks. Newly elected Rep. Alexandria Ocasio-Cortez lamented the huge giveaway "at a time when our subway is crumbling," and hundreds of locals packed into town meetings in the following weeks to condemn the city's private deal-making. Unlike previous cases of lavish incentive packages, the terms of the Amazon deal were eye-popping enough to draw potent skepticism even before any sign that the company might not live up to its hiring and spending commitments.

The skeptics are on to something. Since the first boom of company-specific tax breaks in the U.S. during the early 1990s, there has been no correlation between such incentives and a region's wage and unemployment levels, according to a comprehensive 2017 study by economist Timothy J. Bartik. Luring a big company to town with tax breaks often produces meager results even when the company hires and spends as much as expected, explains the Tax Foundation's Jared Walczak. "All of these new costs are being subsidized by existing incumbent taxpayers," he says. Residents and other businesses bear a disproportionate burden of added public costs.

For mayors and governors, the chance to brag about bringing jobs to town has more than made up for the perverse consequences of company-specific tax breaks. But now, after Amazon's pullout from New York—along with recent high-profile busts in deals with Foxconn in Wisconsin and General Electric in Massachusetts—the public appeal of tax lures is likely to diminish.

Witness the pronounced wariness of tax incentives among candidates in next week's special election for New York City public advocate, the office second in line to the mayor and the springboard from which Bill de Blasio was elected in 2013. “I think we have to re-evaluate what incentives look like,” says former City Council Speaker Melissa Mark-Viverito in an interview. She criticizes Mr. de Blasio’s closed-door approach to the Amazon deal, and she promises to revisit corporate-incentive practices that “have been on the books for years.” State Assemblyman Ron Kim, also a Democrat, goes even further, insisting that government “shouldn’t be picking winners and losers.” On the day Amazon announced its withdrawal, Mr. Kim introduced legislation that will prohibit New York from offering company-specific tax breaks if at least one other state commits to do so as well.

Yet progressive candidates talking tough about the harms of corporate tax incentives are likely setting themselves up for disappointment once elected, because the problem of tax incentives starts with high taxes. Democrat-run states like Connecticut and New Jersey watch businesses flee punishing corporate and property tax rates, and then resort to targeted tax breaks to draw new ones or retain incumbents.

This relationship between high taxes and targeted incentives seems to be lost on blue-state progressives. New York Gov. Andrew Cuomo defends the $3 billion offer to Amazon as a worthwhile investment at the same time he accuses lower-tax states of “stealing” New York’s residents and jobs. New Jersey Gov. Phil Murphy, who last month convened a task force to audit the state’s tax-incentive program, is slightly wiser. But Mr. Murphy has already raised taxes on businesses and high earners in his first year in office.

As these leaders struggle to sort out their priorities, the backlash against tax incentives continues to build. State legislators are not likely to tie their hands by committing to an interstate anticompetitive pact, but opponents of corporate tax giveaways will remember the victory in New York. Activists will be spurred in future fights by Ms. Ocasio-Cortez’s declaration Thursday that their uprising defeated “corporate greed” and “worker exploitation.” But even as activists oppose uneven rewards, they’ll likely attempt to mete out more punishment to everyone via higher taxes.

Anticorporatism is driving the current wave of resistance to tax incentives, which means fiscally responsible leaders face both an opportunity and a challenge. Rather than stoke fears about the harms of big business, they’ll have to channel anger about corporate welfare toward lowering tax rates for firms large and small. States with lower, flatter taxes have managed to draw national businesses in recent years while still providing fertile conditions for local firms to grow. And though it may be hard for a politician to believe, a voter at the polls is likelier to remember the job he landed at a thriving medium-size firm than watching his mayor cut a ribbon at the paid-for facility of a corporate newcomer.

Mr. Ukueberuwa is an assistant editorial features editor at the Journal.

Northern Virginia Is Keeping Amazon’s 25,000 Jobs, and Wants You to Know It

The New York Times, By Cecilia Kang, Feb. 15, 2019

WASHINGTON — When Amazon canceled its plans to build an expansive corporate campus in New York City this week, officials more than 200 miles away in Northern Virginia decided to make a statement.

Their message: Their region has its act together, they have been far more prepared, and they were free of drama.

The comments came from those in the area that has branded itself National Landing, an amalgamation of Arlington and Alexandria neighborhoods that was the other winner in Amazon’s sweepstakes last year to award massive new campuses.

But after landing Amazon, National Landing faded from the spotlight as attention focused on New York City. In New York, lawmakers, progressive activists and union leaders began contending that Amazon, one of the world’s biggest tech companies, did not deserve nearly $3 billion in government incentives to open a campus there.

The politicking grew heated. Then came Amazon’s very public breakup with New York on Thursday.

“A number of state and local politicians have made it clear that they oppose our presence and will not work with us to build the type of relationships that are required to go forward,” Amazon said about New York in a statement.

In Northern Virginia, officials wasted little time. Within hours, Christian Dorsey, the chairman of the Arlington County Board, held a call with reporters.

“I can’t speculate what went wrong” in New York, Mr. Dorsey said, “and I don’t really care to think about it much.” But he discussed how his area had done a better job of planning for Amazon, persuading the company to come and then rolling out an infrastructure and development plan to make its arrival possible.

“It highlighted a particular community dynamic in a region that has its act together,” Mr. Dorsey said. He added that Amazon hadn’t changed its plans to bring 25,000 jobs to National Landing by 2030, with the potential to increase that to 38,000 employees later.

Monica Backmon, the executive director of the Northern Virginia Transportation Authority, was even more direct.

"Oh, yes, we are pleased," she said. "It speaks to certainty that we know what we are doing and put a lot of planning and effort early on into it."

From the beginning, Virginia officials said, their preparations differed sharply from those of other cities that applied to Amazon. Residents and others were generally welcoming, in contrast to the steady drumbeat of protests in New York.

For years, the region had planned and made improvements to roads, subways, trains and bike lanes to accommodate a major corporation like Amazon, Ms. Backmon said.

A bipartisan state board of legislative leaders that reviews major incentive deals had many hours of discussions on Amazon before an agreement was reached for the new campus, said Stephen Moret, who runs the Virginia Economic Development Partnership.

"The fact that that group exists and was so heavily engaged periodically throughout the 14 months was a major contributor for how well things have rolled out at the state level," Mr. Moret said in a recent interview. He said Arlington and Alexandria officials had been briefed about Amazon in closed sessions multiple times as well.

Late last month, the Virginia legislature overwhelmingly passed a $750 million incentive package for Amazon, which the governor signed into law. It provides Amazon with $550 million in grants for the first 25,000 jobs it creates, and $200 million more for creating 12,850 additional jobs in subsequent years.

Officials in Nashville, which landed a smaller development project from Amazon, with about 5,000 jobs, also drew distinctions between their approach and New York's. The city and Tennessee offered a combined $102 million in tax incentives, significantly less per job than New York's multibillion-dollar promise. And Nashville's offer didn't come with some of the attention-grabbing perks that New York's did.

"We don't have a helipad," said Thomas Mulgrew, press secretary for Mayor David Briley, referring to New York's promise to help Amazon secure access to a helicopter-landing facility near its planned Queens campus. "I read that and thought, 'Oof, that's going to be a tough one.'"

Critics of Amazon and its expansion strategy celebrated the company's withdrawal from New York as a victory and said they were emboldened to turn their sights on Northern Virginia and Nashville.

"Do not come to our cities expecting to ignore the democratic process and hoard the resources that our communities desperately need," Local Progress, an organization of local officials, said in a statement.

Stand Up Nashville, an activist group that has criticized the Amazon project, and other groups have been working for months to rally opposition to the deal and to push for more community involvement in the process. The news from New York this week injected new energy into the movement — and is likely to increase attendance at a public forum the groups were already planning for Friday evening.

"Since the announcement yesterday, the event has just exploded," said Anne Barnett, a Stand Up Nashville co-chairwoman. "There's more interest now than ever."

Northern Virginia officials said they recognized that there could be similar protests in their area. But they said their relationship with Amazon was strong.

"They have been a completely honest broker," said Mr. Dorsey of the Arlington County Board. "We feel good about their relations thus far."

Amazon did not immediately return a call for comment.

New York Did Us All a Favor by Standing Up to Amazon

The New York Times, By David Leonhardt, Opinion Columnist, Feb. 17, 2019

Yes, Amazon's departure will modestly hurt the city's economy. But it's also a victory against bad economic policy.

Imagine that a bunch of children are sitting around a table when a seemingly beneficent adult walks into the room carrying a plate of cupcakes. The kids burst out in excitement — until they notice a problem: There are fewer cupcakes than children.

At this point, the adult announces some ground rules. To receive a cupcake, the children will have to compete with one another. The adult will accept cash or other objects of value. Praise for the adult's kindness would also be welcome.

The kids immediately start saying nice things and digging into their pockets. But then one child has second thoughts. She quiets the room and tells the adult he's being a bully. He is bigger, stronger and richer than the kids, she says. He shouldn't make them grovel for cupcakes. The adult replies: "Fine. No cupcake for you."

If she were your child, how would you feel: proud that she took a stand, or disappointed that she didn't act in her own best interests? Cupcakes, after all, are pretty tasty.

Last week, New York became that disobedient child. The city damaged its own interests, or at least its short-term interests, for the sake of principle. Enough New Yorkers raised enough of a ruckus about the nearly $3 billion in tax breaks that the city and state were bestowing on Amazon that Amazon finally had enough. On Thursday, it announced that it would no longer be bringing 25,000 jobs to Queens. No cupcake for New York.

Yes, I know: Jobs are not cupcakes. Jobs help people build middle-class lives, which are in too short supply these days. So pretend that the adult in my story offered a Kindle instead of a cupcake. Or a college scholarship. It shouldn't change your view of the girl's rebellion.

Regardless, it's a version of what social scientists call "the tragedy of the commons" — in which people hurt their long-term interests by acting in their short-term interests. The only solution to the tragedy of the commons is to change the rules.

For years, companies have been getting the better of local governments — and taxpayers — by pitting them against one another. If a city or state won't pony up cash or tax breaks, companies threaten to go elsewhere. Boeing, Nike, Intel, Ford, General Motors, Foxconn, Royal Dutch Shell and many others have all done it. Since 1990, the combined size of these handouts has surged.

In the moment, the deals are often popular. Polls showed that most New Yorkers favored Amazon's plans for Queens. Last week, the editorial boards of both The Times and The Wall Street Journal criticized the politicians whose complaints scuttled the deal. The front page of The Daily News thundered, "AMAZON KILLERS: Shame on these so-called progressives for rejecting 25,000 high-paying jobs & billions in taxes tech biz would've brought to city."

The deal's supporters do make some good points. Amazon's critics have used silly anti-capitalist rhetoric at times. And the deal would have modestly helped the Queens economy (and only modestly: New York is home to more than four million jobs, and Queens to more than one million). But there is a larger picture here: Corporate-relocation subsidies are terrible policy.

They do nothing to lift the country's economic growth — to create more cupcakes, as it were. The subsidies mostly redistribute income upward, from taxpayers to corporate shareholders. If every city and state justifies big giveaways based on its own immediate interests, the tragedy of the commons will never end.

Somebody needs to make a principled stand. In New York, a coalition of activists and politicians did so. They called attention to the grubbiness and secrecy of these subsidies, which are, in their own way, anti-capitalist. The deal's collapse, Greg LeRoy, a longtime advocate on the issue, told Emily Badger of The Times, is "absolutely a godsend to those of us who have been trying to reform economic development."

For decades, local politicians have felt pressure on only one side of this issue: To do whatever it takes to attract companies. As a result, those politicians have contributed, often unwittingly, to the radical rise in economic inequality.

Amazon's messy departure from New York is a victory for the other side. It should remind politicians elsewhere that their private blandishments may later turn into public controversy. It should also remind politicians that they can say no. Northern Virginia gave Amazon much less money than New York but still won tens of thousands of new jobs.

And the whole episode should energize legal efforts to fight corporate handouts. Missouri and Kansas, for example, are talking about a "cease-fire" to keep local companies from playing the two states off each other. Officials in Arizona, Illinois, New York and several other states have talked about a multistate compact known as the End Corporate Welfare Act. The federal government, for its part, could offer financial incentives to states that refuse to play the handout game.

Yes, New York's economy will be slightly worse off because of Amazon's departure. But the city deserves our gratitude. Refusing to play an unfair game is sometimes better than winning it.

David Leonhardt is a former Washington bureau chief for the Times, and was the founding editor of The Upshot and head of The 2020 Project, on the future of the Times newsroom. He won the 2011 Pulitzer Prize for commentary, for columns on the financial crisis.