

The Symbol and Reality of Finance

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New York City seems to be a place where we make advertising slogans, news broadcasts, operas and plays, great restaurant meals, bagels, and packets of sugar. But what we really make in New York City is money. We trade it, we store it for a fee, we loan it, we invest it, and we create new instruments for it for which we can also charge a fee.

Well over one-third of all the net growth in incomes, including earned incomes and bonuses, in New York City during the 1990s boom came from one industry. That was Wall Street.

Those earnings from money, be they profits, dividends, wages or bonuses, are what fills the treasuries of our state and local government and the national government. It is the money that hires the consultants and lawyers, architects and builders, and that buys the tickets for airlines, sports events and Broadway plays. When that money moves out into the city and into the metropolitan area as wages and bonuses, this is the money that we economists would say drives the income multiplier and the job multiplier.

The 1969 recession in New York City was financial led, the 1989 recession was financial led and the current recession, which probably began by the spring of 2001, is also financial led.

The early planners of the World Trade Center recognized the key role of finance in the city. They looked ahead to the future and decided that the dynamics of trade in the future would not be in the goods handling, the physical handling, but in the transactions, finance, and the links to commerce. So, the World Trade Center was designed to be a global center of finance and to handle the transactions of trade. As a place of work, the World Trade Center firmly anchored the financial functions of the city and the nation. That did not happen all at once. It took a while, for example, for the development of the World Trade Center to lead to Battery Park City. Even though we saw part of the financial world migrate to midtown Manhattan and the suburbs, the World Trade Center remained the reality and the symbol of finance. It had largely fulfilled that mission.

The bombing of the World Trade Center in 1993 made it clear that all businesses had to have backups, had to diversify. That was not clear in the spring in 1993 as we wrestled with what the economic impact of what had happened. and what would be. But firms did come back, and new firms moved in.

Now, with the destruction of the World Trade Center on September 11, not only the economy of our city, but also that of the nation and the world, has been plunged into recession.

Clearly New York City today has two problems in economic terms. One is what the severity of the shock waves of this action will do to our economy over the next few months.

In the intermediate term, we can assume there will be money from insurance and promised money from the federal government to help us rebuild.

Secondly, we have the long-term problem of what will happen, as businesses and individuals make decisions on where to locate.

Whatever does happen will take place against a backdrop of 30 years of major structural change. We have seen the wave of suburban development, and the decline of manufacturing, first in the city and then in the suburbs. We have also seen the decline of the port and the ascendancy of finance and the business services functions.

And during the 1990s we saw the rise again of the central city as pivotal to the growth and redevelopment of the greater metropolitan area economy. We have seen proof that local policies do matter and that infrastructure is important, education is important, crime and safety are important, and tax policy as it is carried out at the city and state levels is important.

We have also seen through the 1990s that the availability of technology is not necessarily a guarantee of its obvious results. The technology of the information and communication and computer revolution in the 1990s favored dispersal, and people could move off to Vermont or Nova Scotia and do their work from there. But the opposite happened. We all gathered together because we wanted to work together in complexes such as the World Trade Center, we wanted to live together, wanted to walk on the streets together, eat in great restaurants, and partake in the cultural life of the city.

Above all, the openness of our city economy has been really important. New York was what it was in the 1980s and 1990s because of that openness.

Similarly, London's open economy contributed to its economic success in the 1990s.

The attack on the World Trade Center hit at our major industry, finance. Any decisions we make about the future must clearly be to protect that industry, and, we hope, protect that open economy.

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