

Stop giving away the store, N.Y.: Aetna shouldn't get big tax breaks to come to Manhattan



Moving on up
(BILL SIKES/AP)

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Last June, Aetna announced that it was moving its headquarters from Hartford, Conn., where it has been located since 1853, to the Meatpacking District in New York City. New York, Aetna's CEO Mark Bertolini told The New York Times, offers "the ecosystem of having people in the knowledge economy, working in a town they want to be living in, and we want to attract those folks, and we want to have them on our team. It's very hard to recruit people like that to Hartford."

No doubt.

Aetna's new headquarters at 61 Ninth Ave. is an ultra-modern steel and glass structure with private terraces with river views and a rooftop park with a putting green. Its ground floor will be occupied by the biggest Starbucks in the world. The Chelsea Market is across the street. An Apple Store is next door. Google's New York campus is just steps away.

"Many of the roles in our new office," Bertolini said, "will be filled by innovators from the area's deep talent pool, which will be an invaluable resource as we consider additional investments in the city going forward."

This should be a win-win for New York. Aetna is not only bringing jobs here; it is paying much higher rents than it does in Hartford for the privilege of doing so. This is not a cost-driven decision — it is a talent and quality-of-place-based decision. New York is holding all the cards.

So why is the state providing the insurance giant with \$24 million in tax credits? And why is the city even considering Aetna's request for a property-tax abatement, plus sales-tax exemptions and credits totaling \$6.17 million?

As another economic powerhouse, Amazon, asks cities across America to bend over backwards to offer it incentive packages for a second headquarters, these questions are more important than ever.

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Aetna is playing an old, cynical game — and New York is falling into the trap. Across the country, states, cities and counties give away tens of billions of dollars in incentives to entice companies to move into their jurisdictions every year.

My own research shows that there is virtually no association between these economic development initiatives and any measure of economic performance. They are not associated with higher wages, greater shares of knowledge workers or lower unemployment rates. The broad body of evidence suggests that they do not even cause companies to choose certain locations over others.

Companies typically know exactly where they want to locate in advance. Then, they pick a few other prospective locations and pit them against one another so they can extract the best deal.

As often as not, companies would have located where they did without any incentives at all, so the net result is simply to shrink the localities' tax bases.

Even worse, since smaller cities are often the most willing to deal, the places that can least afford it are paying the most and getting very little in return.

In this case, New York City is neither poor nor desperate. Real estate and tech are booming in the city, and the hypergentrification of Chelsea and surrounding neighborhoods is not only driving out residents of long standing, but the art galleries that gave the neighborhood its character in the first place. Bringing in a big insurance company into the neighborhood will only make the area more unaffordable.

If Aetna wants to come and enjoy Chelsea and the Meatpacking District's high-end amenities while gaining the benefit of its talent ecosystem, more power to it. But they should pay their own freight; the state and city should not give them a penny.

If Aetna wants to make further investments in the city, that's even better. But the choice shouldn't be theirs alone. New York has something that they need and that they are willing to pay a premium for.

Instead of giving them the store, why shouldn't the state and city make a few demands of their own? Instead of allowing them to use outsourced contract labor for their service workers, demand that they hire directly, and pay well above minimum wage.

Ask them to kick in for affordable housing, so those service workers can live where they work.

Ask them to build on-ramps to the tech economy for local students by providing them with apprenticeships and other opportunities for learning vital skills.

Paying a fair share of taxes should be a floor, not a ceiling.

Paying companies to move to where they want to be is a waste of money. It is really time to stop this insanity, and New York City should be the first to do it.

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