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Attract businesses like Amazon with lean government, not pork

Company-specific subsidies put the retail giant's interests ahead of everyone else's

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When Amazon announced that half of its new corporate headquarters would be in Long Island City, it was revealed that the company also hit the jackpot with up to $3 billion in New York state and local subsidies. This angered a lot of people, including Rep.-elect Alexandra Ocasio-Cortez, D-Queens, but officials dug their heels in. As Gov. Andrew Cuomo said, "It's not a level playing field to begin with … All things being equal, if we do nothing, [Amazon is] going to Texas."

But all things are not equal between New York and Texas, and New York should fix its policies rather than hand out pork. There is considerable room for improvement, as New York state has the second-worst business tax climate and New York City has some of the most expensive housing per square foot in the nation. To fix the problem, New York should lean out taxes and regulation.

Cuomo is right that high taxes are a turn-off for business. But rather than provide Amazon with a special, targeted break, why not improve the rules for everyone? In order to attract business, states could cut or repeal corporate income taxes, which account for only 2% of state and local revenues yet act as a major growth hurdle given how mobile corporate investment is today.

Because half of all business income flows through individual income taxes, these taxes also deter investment. New York should reduce income taxes to be more competitive. High taxes in places like New York are driving wealthy entrepreneurs out to zero-income-tax Florida and other low-tax states.

Governments could also reform property taxes and reduce development fees, which are a drag on business and residential development. Property taxes are by far the largest state and local tax burdens on businesses, and in many states don't just hit land and structures but also machinery and equipment. States and cities with heavy business property taxes dissuade investment by capital-intensive businesses such as manufacturing.

Poor state and local policy isn't only a drag on business: it also affects workers' lives. High tech-firms need to hire talent, but workers won't be so interested if livability is low and costs are high.

For example, $200,000 only buys 126 square feet of living space in Manhattan, the worst in the nation. But the regulatory tax associated with zoning is estimated to account for 50% of the cost of housing there. This is something that policymakers should change.

Increasing allowable development density in New York's boroughs and streamlining discretionary development approval processes would help support the growth New York needs, improve affordability for current and future residents, and even ease gentrification pressures when big business arrives.

Other policy reforms could reduce the cost of living. For example, occupational licensing increases the cost of services such as child and medical care that working families need. One study suggests that just requiring lead day care teachers have a high school degree is associated with an increase in child care costs of 25% to 46%. New York City has more restrictive occupational licensing requirements, and the state has the fourth-most expensive child care in the U.S.

Policymakers in New York should attend to these issues rather than handing out pork. Instead, they generated a series of one-off incentives and subsidies that were Amazon-specific, putting Amazon's interests ahead of everyone else's.

That would be less offensive if economic development incentives were critical to sustained economic growth. But mega-companies do less for cities' long-term economic growth and health than smaller, organically grown companies do. And as Harvard economist Edward Glaeser argues in *Triumph of the City*, having a diversity of industries, rather than a large and economically dominant company, is vital for cities' long-term health.

Only broad-based reforms can provide a diverse and competitive economy. If governments were genuinely interested in the benefits of economic development for their residents, they would look for opportunities to improve the economic and regulatory landscape in an inclusive way. After all, businesses and workers don't need more pork, they need lean government.

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