

## COMMENTARY

# New York should keep Hamilton in mind after Amazon



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New York: You threw away your shot. To maximize capital investment, launch new industries, and create jobs, government must invest in the private sector.

This is not a novel concept. In fact, it is a policy prescription that dates back to the founding of the United States. As the Industrial Revolution raged through the western world, the United States needed to make a decision: invest in technology or double-down on our agrarian economy. Obviously, state and federal governmental agencies assisted in the shift that resulted in world's largest economy.

Our economy now faces a similar turning point; this was the time for New York and New Yorkers to embrace the innovation economy and support Amazon's HQ2 project and all it would have brought to the region.

While serving as the Nation's first Secretary of the Treasury, Alexander Hamilton, in "Report on Manufacturers" a report he authored and delivered to Congress on Dec. 5, 1791, wrote: "There is no purpose to which public money can be more beneficial applies than to the acquisition of a new and useful branch of industry; no consideration more valuable, than a permanent addition to the general stock of product labor." Hamilton, among his many other titles, is also the founding father of economic development.

Too bad this didn't make it into the musical.

New York's proposed investment in Amazon's HQ2 Project was precisely the type of economic development originally championed by Hamilton: performance-based investment that would have assisted in the establishment of a new innovation economy in New York and the creation of thousands of new jobs.

Leveraging New York City's first-in-class educational institutions, including Cornell Tech on Roosevelt Island, and the existing innovation and technology jobs anchored by Google, Apple, and many financial-technology firms, HQ2 would have cemented New York City's role as an innovation hub that could outpace Silicon Valley and Seattle. Amazon would have spent \$2.5 billion to develop the HQ2 in New York. This capital investment was substantial; Even more significant was Amazon's commitment to human capital.

Amazon publicly agreed to create 25,000 high-paying, innovation-based, direct, full-time equivalent jobs at their project facility within 10 years of project completion. That number alone was impressive, but it does not tell the entire story. To truly capture the total economic impact a project will have on a local economy, indirect jobs must also be considered and calculated. In 2013, Enrico Moretti, a professor of economics at University of California, Berkeley published, *The New Geography of Jobs* ("NGOJ"). Moretti's research proved that there is a significant employment multiplier effect when innovation-based jobs are created in a local economy. He argues that for "Each new high-tech job in a city, five additional jobs are ultimately created outside of the high-tech sector in that city, both in

skilled occupations (lawyers, teachers, nurses) and in unskilled ones (waiters, hairdressers, carpenters)." Applying Moretti's formula to the Amazon Project, 125,000 additional jobs would have been created in the local economy.

Twenty-five thousand innovation jobs as well as an additional 125,000 indirect jobs is exactly the type of return on public investment Hamilton called for in 1791.

That type of investment was needed during the transition from an agrarian economy to a manufacturing-based economy during the Industrial Revolution. It is needed now as our economy transforms to automation and innovation.

Project opponents argued that New York does not need Amazon's investment of financial capital and generation of human capital. While New York City and the surrounding region's economy is strong – New York City has an unemployment rate of 3.7 percent; Long Island's is about 3 percent. Wages are stagnant and many jobs are in sectors of the economy that are sensitive to downturns.

The Amazon project would have ensured New York City's role as a world-class innovation center, unleashed the powerful multiplying effect of job creation, and been a bridge to the middle class for thousands of New Yorkers.

Like Alexander Hamilton, New York always needs be young, scrappy and hungry, not complacent. New York, you threw away your shot.

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