



# Does the Amazon Deal Deliver for New York City Residents?

A Preliminary Equitable Growth Evaluation

**Corey Johnson**  
Speaker

**This paper is a product of the New York City Council Finance Division's  
Revenue and Economic Unit.**

Latonia McKinney, Director of the Finance Division

Raymond Majewski, Deputy Director/Chief Economist, Directed the project

Kira McDonald, Economist and Project Coordinator

Contributors:

Emre Edev, Assistant Director

Paul Sturm, Supervising Economist

William Kyeremateng, Senior Economist

Kendall Stephenson, Senior Economist

Davis Winslow, Senior Economist

Hector German, Financial Analyst

Nashia Roman, Economist

Special thanks to the Rebecca Chasan, Senior Counsel and Aliya Ali, Principal Financial Analyst.

## Table of Contents

Introduction .....	1
New York City and the New Geography of Jobs .....	3
Costs & Benefits of the Amazon Deal.....	5
The Analyses of NYCEDC and ESD: What is included? What is left out?.....	5
Economics of Incentives: What should be included .....	6
Opportunity Costs .....	7
Unaffected Decisions .....	8
Displacement.....	9
The Multiplier and Additional Income .....	9
Amazon’s Workforce .....	10
Increased Population and Government Services .....	11
Other Economic Effects, Costs, Wages, and Property Values .....	12
Increased City and State Revenue.....	13
Amazon as a Partner .....	14
Monopoly and Market Power .....	15
Growing Corporate Concentration .....	15
Amazon as Rent-Seeker in the Public Realm .....	16
Amazon as a Taxpayer.....	18
Amazon’s Sales Tax Strategy.....	18
Tax Avoidance Strategy.....	19
Amazon as an Employer .....	21
Conclusion.....	23

## Introduction

*“Will Amazon’s arrival actually benefit local residents or simply exacerbate existing structural inequities?”*

— *Joseph Parilla, Brookings Institution*

This quote asks the key question about the Amazon deal, which we might rephrase as “Does the Amazon deal deliver and if so for whom?”

In discussing an economic development project, President Kennedy famously said “a rising tide lifts all boats.”<sup>1</sup> And while President Kennedy made those remarks during a time in our national economy when prosperity was broadly shared, the history of the last 50 years has demonstrated that this is no longer the case.<sup>2</sup> As a result, when evaluating the impact of an economic development project on the people of New York City, more nuanced questions must be asked about who will benefit and who will lose out because we can no longer assume that a “good” deal will be “good” for all. It is not sufficient to simply conclude that employment will increase, tax revenues will be generated, and property values will rise. We need to probe more deeply and evaluate the impact on people who do not own real estate, who are not highly skilled, or who work in industries where wages rise slowly, if at all. We need to ask about the cost of services for new residents and new workers. We need to know who will get the jobs. Will it be women, people of color, or people from low-income families who have traditionally been disadvantaged in the workforce.

In September 2017, Amazon announced it was searching for a location for its second headquarters, a project called HQ2, with the promise of creating 50,000 new jobs over a span of ten years.<sup>3</sup> A nationwide competition to lure the company ensued, with 238 cities across

---

<sup>1</sup> John F. Kennedy (October 3, 1963). ["Remarks in Heber Springs, Arkansas, at the Dedication of Greers Ferry Dam"](#). The American Presidency Project.

<sup>2</sup> Anthony Atkinson, *Inequality: What Can Be Done?* Harvard University Press, Cambridge 2015, chapter 1.

<sup>3</sup> Nick Wingfield and Patricia Cohen, “Amazon Plans Second Headquarters, Opening a Bidding War Among

North America competing.<sup>4</sup> In January 2018, Amazon released its short-list of 20 finalist cities for siting its second headquarters, including New York City.<sup>5</sup> On November 13, 2018, Amazon announced that it had selected Long Island City and Arlington, Virginia for its headquarters, splitting the 50,000 jobs equally between the two locations.<sup>6</sup> It was also on this day that Amazon, the State of New York, and the City of New York released a signed Memorandum of Understanding laying out the details of the largest economic development deal in New York's history.<sup>7</sup> In exchange for creating up to 40,000 jobs in New York City by 2034 and making \$3.6 billion in qualifying capital investments, Amazon will in return receive nearly \$4 billion in taxpayer subsidies.<sup>8</sup>

Because the deal hands over such a significant sum of the people's money to one firm, the City of New York and its residents deserve to know about the firm with which it is now partnering. Will it be a good neighbor? Treat its workforce well? Pay its taxes?

This white paper lays out these and other factors that need to be considered in evaluating the Amazon project, in the context of the economics of incentives and from the perspective of equitable growth. It also reviews the evaluation done by the Empire State Development (ESD) and by New York City Economic Development Corporation (NYCEDC) which were done in part with the econometric firm Regional Economic Models, Inc. (REMI).<sup>9</sup>

---

Cities", The New York Times (September 7, 2017), available at <https://www.nytimes.com/2017/09/07/technology/amazon-headquarters-north-america.html?module=inline> (last accessed on January 29, 2019).

<sup>4</sup> Press Release, Governor Andrew M. Cuomo, Governor Cuomo and Mayor de Blasio Announce Amazon Selects Long Island City for New Corporate Headquarters (November 13, 2018), available at <https://www.governor.ny.gov/news/governor-cuomo-and-mayor-de-blasio-announce-amazon-selects-long-island-city-new-corporate> (last accessed on January 29, 2019).

<sup>5</sup> Daniel Geiger, *NYC makes the cut as Amazon narrows list for second headquarters*, CRAIN'S NEW YORK (January 17, 2018), available at [https://www.crainsnewyork.com/article/20180118/REAL\\_ESTATE/180119885/nyc-makes-the-cut-as-amazon-narrows-list-for-second-headquarters](https://www.crainsnewyork.com/article/20180118/REAL_ESTATE/180119885/nyc-makes-the-cut-as-amazon-narrows-list-for-second-headquarters)

<sup>6</sup> Press Release, Amazon.com Services, Inc., Amazon selects New York City and Northern Virginia for New Headquarters (November 13, 2018), available at <https://blog.aboutamazon.com/company-news/amazon-selects-new-york-city-and-northern-virginia-for-new-headquarters>

<sup>7</sup> Press Release, *supra* note 3.

<sup>8</sup> Press Release, *supra* note 3.

<sup>9</sup> This paper draws heavily upon the work of Timothy J. Bartik, especially "Who Benefits from Economic Development Incentives? How Incentive Effects on Local Incomes and Income Distributions Vary with Different Assumptions about Incentive Policy and the Local Economy? Upjohn Institute Technical Report No. 18-034.

This paper asks the questions laid out above and points out the deficiencies in the analyses publicly released by ESD and NYCEDC. This paper represents the City Council Finance Division’s early stages of an economic development modeling project that, when completed, will aid the Council and public in answering questions about the costs and benefits of the Amazon deal and future projects.

Readers interested in the details of the Amazon project and the incentives offered should consult the Report of the Committee of Finance: *Oversight – Amazon HQ2 – Stage 2: Does the Amazon Deal Deliver for New York City Residents?*

## New York City and the New Geography of Jobs

There is an argument that can be made that aspects of this deal are in the interest of the City and its residents. Popular urbanists like Richard Florida<sup>10</sup> and Enrico Moretti<sup>11</sup> have described some of the advantages of cities in developing the labor pool and innovative atmosphere required by these firms. The ability for cities like New York to attract and retain a highly-skilled workforce creates a virtuous circle, where the concentration of this labor pool triggers further concentration as the presence of well-educated workers fosters new business growth, which in turn attracts more talented workers. This feedback effect, as Hendrickson et al. describe in the Brookings Institution report, between a highly-skilled workforce and companies operating at the economic frontier has “led to rising productivity in these agglomeration hubs and substantial wage increases for the highly skilled workers clustered there.”<sup>12</sup>

This is not an abstract argument in New York City, which had zero net employment growth between 1969 and 2006 but then added over 800,000 jobs since 2006.<sup>13</sup> Much of this new found growth stems from a new geography of jobs.<sup>14</sup> The ability of major metropolitan

---

<sup>10</sup> Florida, Richard. 2003. “Cities and the Creative Class.” *City & Community*, pages 3-19.

<sup>11</sup> Moretti, Enrico. 2012. *The New Geography of Jobs*. Houghton Mifflin Harcourt.

<sup>12</sup> Clara Hendrickson, Mark Muro, and William A. Galston. “Countering the geography of discontent: Strategies for left-behind places”, Brookings Institute (November 2018), <https://www.brookings.edu/research/countering-the-geography-of-discontent-strategies-for-left-behind-places/> (last accessed on January 29, 2019).

<sup>13</sup> Total non farm employment; Finance Division’s calculations are based on QCEW data.

<sup>14</sup> Moretti, Enrico. 2012. *The New Geography of Jobs*. Houghton Mifflin Harcourt.

areas to attract and retain knowledge economy firms has been a major trend in the diverging economic geography of the United States since the Great Recession. As a recent Brookings Institution report notes, “big, techy metros like San Francisco, Boston, and New York with populations over 1 million have flourished, accounting for 72 percent of the nation’s employment growth since the financial crisis.”<sup>15</sup> So to that end, encouraging agglomeration economies is a worthwhile avenue to pursue for economic development.

The flip side is that this agglomeration economy underlies a logic to Amazon’s choice to locate in New York City that is independent of any incentives offered by the City and State. Amazon stated explicitly that the reason for choosing New York City as an expansion location was the City’s “strong local and regional talent.”<sup>16</sup> Amazon is not alone in choosing its location primarily on the basis of the availability of a quality, well-educated workforce. Research in economic development and surveys of corporate executives stress the availability of skilled labor as a site-selection criterion, consistently finding it rated far above tax expenditures.<sup>17</sup> The decision by Amazon to base its two new headquarters in New York, the country’s economic capital, and Washington, D.C., its political capital, fits the current national trends in economic development. Cities like New York continue to foster and develop the pool of talent needed by high-tech firms, and firms continue to locate there to take advantage. This in turn raises the question of why financial incentives would be needed to sell a high quality workforce and corporate environment.

While good for attracting Amazon, there is a downside to the new economy. One example is the increases in housing costs. Between 2000 and 2012 median rents in NYC have risen by 75 percent and have continued to rise.<sup>18</sup> This is hardly unique to New York City. It has happened in other successful large cities such as Washington, D.C. and San Francisco.

---

<sup>15</sup> “Countering the geography of discontent: Strategies for left-behind places”, *supra* note 12.

<sup>16</sup> News release, “Amazon selects New York City and Northern Virginia for new headquarters”, The Amazon’s blog, <https://blog.aboutamazon.com/company-news/amazon-selects-new-york-city-and-northern-virginia-for-new-headquarters> (last accessed on January 29, 2019).

<sup>17</sup> Area Development 2018 Annual Corporate Survey & Annual Consultants Survey <http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2018/32nd-annual-corporate-survey-14th-annual-consultants-survey.shtml>; International Economic Development Council, *How Economic Developers Lead Workforce System Alignment*, 2015; Lynch, Robert G., *Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development*, 2004.

<sup>18</sup> Office of New York City Comptroller Scott Stringer, “The Growing Gap” (April 2014), [https://comptroller.nyc.gov/wp-content/uploads/documents/Growing\\_Gap.pdf](https://comptroller.nyc.gov/wp-content/uploads/documents/Growing_Gap.pdf) (last accessed on January 29, 2019).

This is less problematic for the high-skilled workers in demand in this economy because their wages are more than keeping up, but this is not true for the less-skilled workers. “While less-skilled blue-collar and service workers also earn more in these places (like New York City), more expensive housing costs eat away those gains. There is a rising tide of sorts, but it only lifts about the most advantaged third of the workforce, leaving the other 66 percent much further behind.”<sup>19</sup> As discussed in more detail below, issues like these must be part of any comprehensive economic development project evaluation.

## Costs & Benefits of the Amazon Deal

Evaluation requires goals, and the Council’s Finance Division believes that these goals should flow from an equitable growth framework. “Equitable growth means an economy that raises living standards for all families.”<sup>20</sup> Applying this to local economic development, the aim of economic development should be to increase the well-being of all City and State residents rather than only an already-advantaged subset.

NYCEDC has stated that its economic development goal is “promoting and growing quality jobs for all New Yorkers and in cultivating dynamic, resilient communities across all five boroughs.” This is consistent with the equitable growth framework, with the added concern of cultivating activity across the boroughs, which is appropriate for a dense city like New York.<sup>21</sup>

### The Analyses of NYCEDC and ESD: What is included? What is left out?

Both NYCEDC and ESD provide economic analysis of the Amazon headquarters project. However, a review of the analyses reveals that they were not comprehensive enough to determine the full array of costs and benefits of the deal. The ESD and NYCEDC reports use sophisticated and proprietary models from REMI, and while economists can always

---

<sup>19</sup> Richard Florida, “More Losers Than Winners in America’s New Economic Geography”, Citylab (January 30, 2013), <https://www.citylab.com/life/2013/01/more-losers-winners-americas-new-economic-geography/4465/> (last accessed on January 29, 2019).

<sup>20</sup> Explaining the “What is equitable growth?” essay series. "<https://equitablegrowth.org/explaining-the-what-is-equitable-growth-essay-series/> (last accessed on January 29, 2019).

<sup>21</sup> New York City Economic Development Corporation “Mission Statement” <https://www.nycedc.com/about-nycedc/mission-statement> (last accessed on January 29, 2019).



debate modeling assumptions, the issue here is not the model itself, but rather the narrowness of the questions that ESD and NYCEDC asked the model to answer.

ESD and NYCEDC posed four questions:

- 1) Employment generated by the project. The report for ESD elaborates this to some extent, differentiating between employment due to construction and due to operations. They also look at some of the industries that will be impacted by Amazon's purchases.
- 2) Income generated by the project. This is done at a high level of aggregation. Gross State Product, Gross City product and disposable personal income are estimated and reported.
- 3) The ESD report estimated population growth for the State as a result of the project.
- 4) Tax revenue at the City and State levels.

While all of these pieces of information would be necessary steps in an evaluation, they are insufficient on their own to account for a full analysis, particularly from an equitable growth perspective.

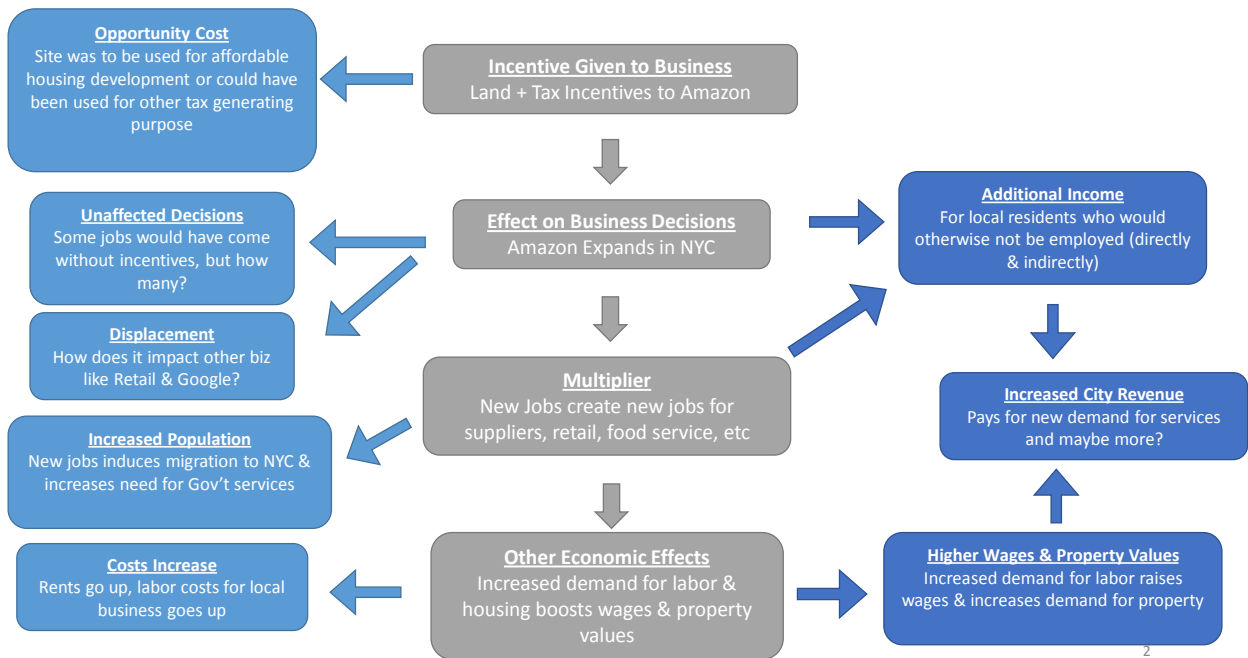
#### [Economics of Incentives: What should be included](#)

Models for fuller tax expenditure analysis and program evaluation are emerging in current economic research and are already setting new evaluation standards adopted by many local governments.<sup>22</sup> Tim Bartik, currently a senior economist at the W.E. Upjohn Institute for Employment Research, is a notable researcher in this field. He recently put forth a model for tax expenditure and economic development program evaluation that could account for many of the issues that have been left out of the Amazon evaluations and that are frequently omitted from tax expenditure discussions in general.

---

<sup>22</sup> See Pew Charitable Trusts, [How States Are Improving Tax Incentives for Jobs and Growth](#); Citizen's Budget Commission, [Opaque and Duplicative: Local Economic Development in New York State](#); Brookings Institute Metropolitan Policy Program, [Examining the local value of economic development incentives](#); Center on Budget and Policy Priorities, [Promoting State Budget Accountability Through Tax Expenditure Reporting](#).

Bartik’s 2018 paper, Who Benefits From Economic Development Incentives?, puts forth a sophisticated quantitative model for tax expenditure evaluation. Below is a much simplified version of the economic effects considered in the Bartik model applied to Amazon.



### Opportunity Costs

The model begins with the incentives provided by the City and State. Among these incentives is City land and the overriding of City land use powers through a General Project Plan. An alternative development project under consideration was displaced to make space for Amazon. That project included two schools and over seven million square feet of mixed use housing, commercial, and open space. It would have provided 5,000 units of badly needed housing.<sup>23</sup> The relevant matter from a project evaluation standpoint is not the volume of economic activity associated with a given project, but how much better off the people of the City and State are with the project than with its best alternative.<sup>24</sup>

<sup>23</sup> Jake Bittle, “NYC and Amazon Have a School Plan for HQ2 Families: Wait and See”, Citylab (December 4, 2018), <https://www.citylab.com/life/2018/12/nyc-school-system-search-amazon-hq2-families-kids/577237/> (last accessed on January 29, 2019).

<sup>24</sup> Note for the coming discussion of multiplier effects that, just as the multiplier effect of the project should be considered, so should that of the opportunity cost. Nicole Gelinias, senior fellow at the Manhattan Institute,

## Unaffected Decisions

How successful were the tax expenditures at inducing Amazon’s expansion in NYC? One major aspect of incentives, stressed by both academics and good governance groups, is robust and retrospective assessments of the inducement rates. Tax expenditure analyses, including those conducted by NYCEDC and ESD, frequently assume that a project would not have proceeded in any form “but for” the incentive. Based on this assumption, the entirety of a project’s benefits is attributed to the incentive.

However, retrospective empirical studies have consistently found inducement rates well below 100 percent. For example, in New York City, the Independent Budget Office’s 2018 evaluation of the Commercial Revitalization Program found that many program participants would have acted similarly in the absence of the program.<sup>25</sup> A preliminary evaluation by the Council’s Finance Division of the Industrial and Commercial Abatement Program (ICAP)—one of the programs of which Amazon is set to be a beneficiary—found an inducement rate of just 3.6 percent, thereby suggesting the other 96.4 percent of projects receiving public money from ICAP would have proceeded similarly in the absence of benefits.

Academic studies have found comparably low inducement rates across states. Bartik’s survey of the literature examined 34 studies of tax expenditure inducement rates, and found the median rate was 12.7 percent. However, he also found that 23 of those studies were likely positively biased. In the subset of seven studies with no obvious bias, the median inducement rate was an even scantier 3.4 percent.<sup>26</sup>

In the case of Amazon, the company’s words and actions indicate that they were interested in expanding in multiple locations to maximize its access to qualified workers.<sup>27</sup>

---

has suggested it is useless to consider multiplier effects for these in tax-expenditure analyses because alternative uses of resources would also have multipliers.

<sup>25</sup> Independent Budget Office, Worth the Cost? An Examination of the Commercial Revitalization & Commercial Expansion Programs, 2018.

<sup>26</sup> Bartik, Timothy J. 2018. ““But For” Percentages for Economic Development Incentives: What percentage estimates are plausible based on the research literature?” Upjohn Institute Working Paper 18-289. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/wp18-289>. It is an interesting coincidence that this rate matches exactly what Council Finance found for ICAP, but the Council Finance study was not included in Bartik’s literature review.

<sup>27</sup> From the FAQ from the company’s expansion decision announcement:  
“1. Why did Amazon pick more than one location for its new headquarters?”

Whether all of the incentives, some of the incentives, or none of the incentives were necessary to bring Amazon to the City is an open question.

#### Displacement

Most firms in the City are not receiving tax subsidies or incentives similar to Amazon's. This includes most firms in Amazon's two main industries, technology and retail. For example, Google is expanding its Westside campus to Hudson Square with a plan to invest more than \$1 billion in capital improvements to create over 1.7 million square feet of commercial space.<sup>28</sup> Giving subsidies to one firm and not another may give the subsidized firm a competitive advantage and could cause one firm to grow and another to shrink. The retail industry is in the midst of a massive transformation, largely at the hands of internet retailers.<sup>29</sup> While this deal may not dramatically change that outcome, subsidizing the leader in internet retail can only exacerbate the negative outlook facing storefront retail. When subsidies are given to firms that serve the local market, this kind of displacement is of particular importance. For a firm like Amazon that serves national and global markets it is less so.<sup>30</sup>

Amazon's impact on firms in the City through its demand for tech labor also deserves consideration. Will the subsidies make it harder for Etsy or other homegrown tech start-ups to compete for skilled labor or will the 'virtuous circle' discussed in the 'New York City and the New Economy of Jobs' section above aid all tech firms in the City?

#### The Multiplier and Additional Income

Amazon spending on construction and in operating its new second headquarters will have a multiplier effect through the goods and service that the firm buys and the wages that it pays. Though Amazon can be thought of as a tech firm or a retail firm, the project is a

---

We can recruit more top talent by being in two locations. These are fantastic cities that attract a lot of great talent." <https://blog.aboutamazon.com/company-news/amazon-selects-new-york-city-and-northern-virginia-for-new-headquarters>

<sup>28</sup> Ruth Porat, "Google Hudson Square: our expanded New York campus, Google.com (December 17, 2018), <https://www.blog.google/inside-google/company-announcements/google-hudson-square-our-expanded-new-york-campus/> (last accessed on January 29, 2019); *note* Google Hudson Square: our expanded New York campus; the expansion may be eligible for the as-of-right REAP benefit.

<sup>29</sup> Michael Corkery, "Is American Retail at a Historic Tipping Point?" The New York Times (April 15, 2017), <https://www.nytimes.com/2017/04/15/business/retail-industry.html?module=inline> (last accessed on January 29, 2019).

<sup>30</sup> Bartik 2018, p.2.

headquarters and needs to be analyzed as such. This is a high-wage sector that buys from other high-wage sectors and thus has a strong multiplier effect.<sup>31</sup> Simply put, the initial jobs created by Amazon produce relatively large amount of extra spending and employment in the region.

The multiplier effect of this is formidable. REMI's estimation for ESD is that Gross State Product will be higher due to Amazon's operations, peaking in 2033 at 0.8 percent higher than in REMI's base case.<sup>32</sup> By 2043 Amazon's operations will add more than 67,000 jobs to the State's economy in addition to the 40,000 jobs that it proposed to create directly.<sup>33</sup>

REMI and ESD find that once construction is done, HQ2's principal purchases will be from the region's business services sector. This includes white-collar professional services like legal services, accounting, management consulting, advertising and other tech firms. It also includes blue collar administrative services like building services and commercial sanitation. Amazon will also make use of regional financial services, asset leasing, banking and real estate.<sup>34</sup>

#### Amazon's Workforce

Amazon's headquarters in New York City is expected to employ 40,000 workers by 2043. The majority of these positions will be in the management sector, and workers are expected to receive higher wages compared to similar positions in other companies.<sup>35</sup>

Full evaluation from an equitable growth point of view requires us to know more about that workforce. According to the New York State Department of Labor, between the third quarter of 2017 and the second quarter of 2018 the average salary in the management sector was \$193,533.<sup>36</sup>

Based on the American Community Survey, in 2017, women held 54.7 percent of all the positions in the management of companies and enterprises sector in New York City, while men held 45.3 percent of all positions in this sector. However, men earned over

---

<sup>31</sup> REMI 2018 p.12.

<sup>32</sup> REMI 2018 p.12.

<sup>33</sup> REMI 2018 p.12.

<sup>34</sup> REMI 2018 p.9.

<sup>35</sup> [Economic Impact of Establishing Amazon Headquarters in New York State](#) by Empire State Development.

<sup>36</sup> Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the US Bureau of Labor Statistics.

\$56,000 more than women on average in salary in the industry.<sup>373</sup> Conversely, Amazon has reported that in 2017 women at Amazon earned about 1.5 percent more in compensation than men in similar jobs. However, only 26 percent of Amazon's management are women.<sup>38</sup>

Also, 2017 data revealed that about one in two workers in the management of companies and enterprises sector were white. The other half is other races, including black (12.6 percent), Asian (12.7 percent), and Hispanic (20 percent). White workers also earned higher wages on average, namely around twice that of black and Hispanic workers. In that same period, Amazon paid minority workers about 0.5 percent more in compensation than whites in the same job, but minorities were underrepresented in the management of the company with only 37 percent of that staffing level.<sup>39</sup>

About two in three workers in the management of companies and enterprises sector in New York City had a bachelor's degree or higher.

The workforce in this sector, like the makeup of Amazon's management, does not look like the residents of New York City. It is possible to enhance the welfare of the residents of New York if we can connect them to these jobs through education, training and other active labor market tools.<sup>40</sup> Amazon has pledged an initial \$5 million investment in workforce development in 2020, but this constitutes only 12 percent of the tax incentives they are set to receive that year, and less than a tenth of a percent of the incentives they are set to receive over the 25-year period.<sup>41</sup>

#### Increased Population and Government Services

As employment in an area increases, either a greater percentage of the population will be employed, the total population will increase, or both. When a firm moves in, it may hire some workers from other firms against whom they compete for employees. Affected employers will then have to bid against the new firm, either downsizing in the face of higher

---

<sup>37</sup> The management of companies and enterprises industry has the lowest match rate when using ACS-reported sector. Therefore, numbers from the New York State Department of Labor and American Community Survey will not be similar. However, ACS could be used to reflect employer's primary activity. See: <https://www.census.gov/content/dam/Census/library/working-papers/2013/demo/sehsd-wp2013-24.pdf>

<sup>38</sup> Amazon.com, Diversity at Amazon, <https://www.amazon.com/b?ie=UTF8&node=10080092011> (last accessed on January 29, 2019).

<sup>39</sup> Ibid.

<sup>40</sup> Bartik 2018 p. 83-83.

<sup>41</sup> The MOU does not specify Amazon's workforce development spending commitment beyond this initial amount of \$5 million.

costs, or hiring replacement workers from new in-migrants to the City or from among the local unemployed.

From an evaluative standpoint, the effect on population growth may be most significant. Econometric literature suggests that although a proportion of the increase in the percent of the population employed will persist even in the long-run,<sup>42</sup> the change in population in general will be the predominate effect of the increase in local employment.<sup>43</sup> When initial unemployment is low, this will be even more pronounced, with a very high proportion of new jobs reflected in new population growth rather than a lasting increase in the percent of the population employed.<sup>44</sup> The analysis done by REMI finds that the HQ2 project will increase the population by around 55,800 over the next ten years and by around 131,100 by 2043.<sup>45</sup>

As population increases, so does demand for public services. These costs are not insignificant, especially for a city like New York that faces high construction costs for public infrastructure and congested schools and transportation networks. But, it is not just infrastructure costs—schools will need teachers, firehouses need firefighters, and parks will need maintenance and recreation staff. Bartik finds the fiscal impact of population growth extremely significant, noting that studies that claim development incentives will pay for themselves frequently “ignore the effects of increased growth on spending needs.”<sup>46</sup>

#### Other Economic Effects, Costs, Wages, and Property Values

The increased population and the increased demand for labor have both good and bad effects. On the good side, wages should rise. This should be especially true in an economy like the City which is starting with low unemployment and a relatively high labor force participation rate. This increase will not be limited to Amazon’s workforce, though it is likely

---

<sup>42</sup> Bartik 2018.

<sup>43</sup> Bartik 2015, Blanchard and Katz 1992, Bound and Holzer (2000), Partridge and Rickman (2006), Notowidigdo (2013), Beaudry, Green and Sand (2014), and Amior and Manning (2018). ESDC’s own analysis states that the indirect economic effects of the Amazon HQ operations should be expected to increase the State’s population by over 17 million over 25 years.

<sup>44</sup> Bartik 2018; Bartik 2015.

<sup>45</sup> REMI 2018 p.9 Note that these are the induced effects of operations.

<sup>46</sup> Bartik 2018, 41. Full quote: “economic development agencies often claim that incentives will provide state and local governments with a net fiscal gain, after accounting for fiscal benefits. This claim is not close to being true in this baseline model. Analyses that make such a claim sometimes ignore the effects of increased growth on spending needs.”

that there will be workers in the City who will not see a wage increase as a result of the deal. Obviously, this improves the wellbeing of those who receive the higher wages. But, these higher wages will mean higher costs to businesses—possibly leading to downsizing or slower growth for these firms.

Increased population and employment is already causing property values to rise. This is good if you own real estate, but burdensome if you rent. This effect will not be limited to Long Island City. Zillow Research currently projects a 1.4 percentage point increase in annual rent citywide due to the Amazon expansion and predicts an additional 830 people could become homeless each year.<sup>47</sup> Academic models and empirical studies of tight housing markets suggest that income increases for the high-end of the distribution increase housing prices paid by the low end.<sup>48</sup> In this light, distributional questions are not just a matter of who is included or left out, but a matter of who benefits and who is harmed.

#### Increased City and State Revenue

Increased employment, wages, rents and property values should result in higher tax revenues. Much has been made of the tax revenue that the Amazon project will bring. Depending on the discount rate chosen, the ratio of the present value of tax revenues is expected to be between five and 6.3 times greater than the present value of grants and tax incentives. The present value of tax revenues starts to exceed that of the incentives sometime before 2023.<sup>49</sup> Incentives and grants are structured to reflect either construction or employment increases, depending on the program. This helps to ensure that construction or employment goals will be met before benefits are received.

Of course, there is more to a fiscal impact than revenue because government infrastructure spending, higher real estate and labor costs for government, and the cost of government services for the increased workforce and population will offset revenue

---

<sup>47</sup> Zillow Research, “Amazon HQ2 Impact on New York, D.C. and Seattle Housing Markets”, Zillow.com (November 13, 2018), <https://www.zillow.com/research/amazon-headquarters-reaction-22029/> (last accessed January 29, 2019); *see also* Kari Paul, “Amazon HQ2 could push 800 people into homelessness, economist says”, Marketwatch (November 19, 2018), <https://www.marketwatch.com/story/amazon-hq2-could-push-800-people-into-homelessness-economist-says-2018-11-16> (last accessed on January 29, 2019); note that the increases predicted are beyond what was already expected.

<sup>48</sup> Matlack, Janna and Vigdor, Jacob: Do Housing Tides Lift All Prices? Income Inequality and Housing Affordability, NBER 2006.

<sup>49</sup> REMI p. 14-15.



increases. With the high multiplier effect of HQ2 it is more than possible that tax revenues will exceed costs, but most costs were not included in the ESD or NYCEDC analysis so it is not yet known.

Moreover, in cases where costs exceed revenues, even for a period of time, there is a need for caution in how incentives are funded. For example, the interaction between education spending and tax incentives is important because education is strongly associated with economic growth and higher local wages.<sup>50</sup> Although education is not unique among public expenditures for its impact on economic growth,<sup>51</sup> its role in economic and wage growth has been well documented.<sup>52</sup> If public money is distributed for the sake of attracting firms, but schools are defunded as a result, the economic development efforts will likely backfire in the long term.

## Amazon as a Partner

*"Government must focus on the needs of families, must be the protector of neighborhoods and must guard the people from the enormous power of moneyed interests"*

*Public Advocate Bill de Blasio, 2013*

Economic development programs that choose their partners should be aware of that party's past behavior as it pertains to its status as a potential neighbor and negotiating partner. To that end, this section will discuss Amazon's company history and how it should inform development policy.

---

<sup>50</sup> For example, See Art Rolnick and Rob Grunewald, Early Childhood Development: Economic Development with a High Public Return. Also: Good Jobs First, The New Math on School Finance: Adding up the First-Ever Disclosure of Corporate Tax Abatements' Cost to Public Education.

<sup>51</sup> For NYC in particular, the subway system is also often looked to as a foundation for the City's economic wellbeing, with the subway's infrastructural needs hampering the City's growth. New York's Economic Future Rides on Its Subways, Nicole Gelinas, the Manhattan Institute Policy Brief, July 2018. The Economic Cost of Subway Delays, NYC Comptroller, October 2017.

<sup>52</sup> Jackson, Johnson, and Persico 2016; Krueger 2003; Heckman et al 2010; Bartik 2018. Jackson, Johnson, and Persico 2016 found a cost:benefit ratio of 3:1 associated with education spending with a discount rate of 6 percent. The most recent full study, Jackson, Johnson, and Persico 2016, found a 10 percent increase in education spending associated with a 7.25 percent increase in annual wages.

## Monopoly and Market Power

Of major concern to policymakers at all level of governments is whether economic power is being concentrated in the hands of fewer and fewer corporations and what this means for consumers, smaller firms, and even democracy. If market concentration is a public negative, it may not be appropriate for governments to subsidize monopolistic firms. In the case of Amazon's second headquarters, policymakers in New York City are asking whether the company translated its own corporate power into political power in order to reduce the taxes they owe. Both issues will be addressed below.

### Growing Corporate Concentration

It is the position of most economists that competition between firms is widely beneficial. However, a number of indicators suggest that competition is decreasing in the United States.<sup>53</sup> Between 1997 and 2012, a majority of industries have seen an increase in the total revenue earned by the 50 largest firms,<sup>54</sup> and more than 75 percent of US industries experienced an increase in concentration levels in the last two decades.<sup>55</sup> According to Luigi Zingales at the University of Chicago Booth School of Business, the size of the average publicly listed company in the United States tripled in market capitalization during this time, from \$1.2 billion to \$3.7 billion in 2016 dollars.<sup>56</sup> Amazon itself has become the world's largest public company, with a market capitalization of \$797 billion dollars, according to Bloomberg data.<sup>57</sup>

Market concentration is increasing by other measures, as well. Both abroad and in the United States, the gap between some firms' actual profits and benchmarked typical profits

---

<sup>53</sup> Council of Economic Advisers. "Benefits of Competition and Indicators of Market Power." 2016. Washington, DC: White House Council of Economic Advisers.

<sup>54</sup> Ibid pg. 4.

<sup>55</sup> Grullon, Gustavo, Yelena Larkin and Roni Michaely, "Are US Industries Becoming More Concentrated?" Cornell working paper (April 2017), <https://pdfs.semanticscholar.org/138f/249c43bfec315227a242b305b9764d57a0af.pdf> (last accessed on January 29, 2019).

<sup>56</sup> Zingales, Luigi. "Towards a Political Theory of the Firm." Stigler Center for the Study of the Economy and the State, University of Chicago Booth School of Business. New Working Paper Series No. 10. July 2017. Pg 11. <https://research.chicagobooth.edu/~media/5D8A9BE2EFB8435B91D23E6BB1859B2E.pdf>

<sup>57</sup> Bloomberg Terminal new, accessed Jan, 2019

has grown dramatically.<sup>58</sup> This gap, indicating economic rent,<sup>59</sup> suggests specific firms are making profit at well above the competitive rate—the hallmark of monopoly in economic theory.

Researchers at the Institute for Local Self-Reliance have documented how Amazon in particular has leveraged its market power to manipulate other businesses and harm consumers, using practices such as predatory pricing that yield short-term gains for consumers while shutting down competitors permanently.<sup>60</sup> Meanwhile this concentration allows Amazon to build monopoly and monopsony power that make "it harder for workers to get a fair wage and for producers to get a fair price."<sup>61</sup>

Amazon as Rent-Seeker in the Public Realm

*"This use of Amazon's market power to extract incentives from local and state governments is rent-seeking and anticompetitive. It is in the public interest to resist such behavior and not play into or enable it."*

*Petition to Elected Officials and Community Leaders of Amazon HQ2 Finalist Cities*

Under certain economic models, competition amongst localities can be beneficial—localities compete for businesses and residents by improving the quality and price of services. In the real world, however, these models don't always apply and firms may exercise market power and capitalize on asymmetries of information to extract concessions from local government.<sup>62</sup> Because of the pressure for local political actors to attract new

---

<sup>58</sup> According to the United Nations Conference on Trade and Development, the gap between actual and benchmark profits among non-financial firms in 56 countries went from seven percent in 1995-2000 to 20 percent in 2009-2015. This is equally pronounced just in US. According to the CEA, the 90<sup>th</sup> percentile firm sees returns on investment in capital that are more than five times the median. A century ago, this ratio was closer to two.

<sup>59</sup> Rents can also be thought of as the income derived from the power of suppliers rather than the value of their goods and services.

<sup>60</sup> Stacy Mitchell, "Amazon Doesn't Just Want to Dominate the Market—It Wants to Become the Market", The Nation (February 15, 2018) <https://www.thenation.com/article/amazon-doesnt-just-want-to-dominate-the-market-it-wants-to-become-the-market/> (last accessed on January 29, 2019).

<sup>61</sup> Ibid.

<sup>62</sup> Urban Institute, Partners or Pirates?; Kotin, A., & Peiser, R. (1997). Public-Private Joint Ventures for High Volume Retailers: Who Benefits? Urban Studies, 34(12), 1971–1986. <https://doi.org/10.1080/0042098975178>

businesses and jobs to an area, it becomes difficult for local governments to resist offering tax incentives of their own.<sup>63</sup>

This sort of tax competition was clearly evident in Amazon's search for a second headquarters,<sup>64</sup> and Amazon directly stoked the competition, asking development agencies to outline available incentives in the RFP for the second headquarters.<sup>65</sup> Although tax incentives do not appear to have been the driving force behind location decisions, it appears Amazon used the RFP to ensure they could benefit from them, and their immense market power led development agencies to scramble to honor their requests.<sup>66</sup>

This strategy of extracting subsidies from local governments has been a longstanding element of Amazon's development strategy. The estimated total value of state and local subsidies awarded to Amazon and its subsidiaries is \$1.6 billion<sup>67</sup> not including the incentives the company is set to realize from the HQ2 deals. According to Good Jobs First, Amazon "has been getting about 20 economic development subsidy packages a year since 2012,"<sup>68</sup> enabling it to build distribution facilities and data centers across the country on the backs of taxpayers.

As Amazon has used its market power to extract subsidies from local governments, it has also used it to exercise political power in other ways. In Seattle, Amazon threatened a capital strike and worked with other large businesses to prevent the implementation of legislation that would have imposed a \$275 head tax on certain businesses to fund homeless

---

<sup>63</sup> Scharff, Erin Adele. "Powerful cities?: Limits on Municipal Taxing Authority and What to Do About Them." *New York University Law Review*. Vol 91. No. 2 (2016). Pg 352.

<https://www.nyulawreview.org/issues/volume-91-number-2/powerful-cities-limits-on-municipal-taxing-authority-and-what-to-do-about-them/>

<sup>64</sup> Wilson, John Douglas, *Theories of Tax Competition*. *National Tax Journal*. Vol 52, No. 2 (1999). Pg 289.

<https://www.ntanet.org/NTJ/52/2/ntj-v52n02p269-304-theories-tax-competition.pdf>

<sup>65</sup> From Amazon RFP: "Identify incentive programs available for the Project at the state/province and local levels. Outline the type of incentive (i.e. land, site preparation, tax credits/exemptions, relocation grants, workforce grants, utility incentives/ grants, permitting, and fee reductions) and the amount. The initial cost and ongoing cost of doing business are critical decision drivers."

<sup>66</sup> Karen Weise, "High-Tech Degrees and the Price of an Avocado: The Data New York Gave to Amazon", *The New York Times* (December 12, 2018) <https://www.nytimes.com/2018/12/12/technology/amazon-new-york-hq2-data.html> (last accessed on January 29, 2019).

<sup>67</sup> Good Jobs First, "Tracking Subsidies, Promoting Accountability in Economic Development: Amazon Tracker" (January 2019) <https://www.goodjobsfirst.org/amazon-tracker> (last accessed on January 29, 2019).

<sup>68</sup> Good Jobs First, "Amazon: Taxpayer Subsidies Help Build its Monopoly," <https://www.goodjobsfirst.org/amazon> (last accessed on January 29, 2019).

services.<sup>69</sup> According to Seattle lawmakers, Amazon’s behavior through the process appeared to be in bad faith, suggesting the company has a history as an unreliable negotiating partner.<sup>70</sup> In Texas, Amazon was sued for \$269 million in back sales taxes after it was revealed that the company had been operating a warehouse in the state without informing state tax officials, according to a report by the Institute of Local Self-Reliance (ILSR).<sup>71</sup> When the state sued to recover \$269 million in back sales taxes, Amazon threatened to shut down the facility and fire hundreds of employees, forcing the state to forgive the back taxes in exchange for more investment.

### Amazon as a Taxpayer

Amazon’s track record as a taxpayer, raises the question: Can New York State and New York City count on Amazon to pay its fair share of taxes?

### Amazon’s Sales Tax Strategy

Jeff Bezos considered several states when he was looking to incorporate Amazon. Seattle was chosen not only for the large pool of technical talent it possessed, but also for the competitive advantages it offered as a state with a small population, when it comes to charging sales taxes.<sup>72</sup> At that time, sales tax laws did not require online retailers to charge sales taxes on items sold to customers in states in which the retailer had no physical presence. By locating in a state with a small population, Amazon paid sales tax on only a small portion of its customer base. This enabled Amazon to sell its products at significantly lower prices to the majority of its customers, especially those in jurisdictions with higher sales taxes and larger populations.

---

<sup>69</sup> Daniel Beekman, “About-face: Seattle City Council repeal head tax amid pressure from businesses, referendum threat,” The Seattle Times (June 12, 2018), <https://www.seattletimes.com/seattle-news/politics/about-face-seattle-city-council-repeals-head-tax-amid-pressure-from-big-businesses/> (last accessed on January 29, 2019).

<sup>70</sup> RWDSU meeting.

<sup>71</sup> Stacy Mitchell and Olivia Lavecchia, “Amazon’s Stranglehold: How the Company’s Tightening Grip Is Stifling Competition, Eroding Jobs, and Threatening Communities,” The Institute for Local Self-Reliance (November 2016), [https://ilsr.org/wp-content/uploads/2016/11/ILSR\\_AmazonReport\\_final.pdf](https://ilsr.org/wp-content/uploads/2016/11/ILSR_AmazonReport_final.pdf) (last accessed on January 29, 2019).

<sup>72</sup> Taylor, William, Fast Company, “Who’s Writing the Book on Web Business,” Oct. 31, 1996. <https://www.fastcompany.com/27309/whos-writing-book-web-business>

*“In the mail-order business, you have to charge sales tax to customers who live in any state where you have presence. It made no sense for us to be in California or New York.”*

—Jeff Bezos

As the company expanded, it made sure to set up most of its fulfillment facilities in areas that have small populations or ones that do not have a sales tax. With sales tax in the contiguous United States ranging between 5.4 percent and 9.5 percent,<sup>73</sup> this strategy has given Amazon a price advantage over local businesses across the country.

#### Tax Avoidance Strategy

The sales tax strategy employed by Amazon at the time of its formation characterizes the company’s attitude towards taxes. Over the past two decades, the company has been involved in numerous tax avoidance schemes.

The most prominent of these was known as Project Goldcrest. In the early 2000s, Amazon embarked on a mission to save billions of dollars in taxes by setting up operations in Luxembourg. According to the Guardian, Amazon “embarked on a complex 28-step scheme, which took more than two years to complete, and fundamentally reordered its global business in Europe using a maze of offshore entities and intercompany agreements.”<sup>74</sup>

---

<sup>73</sup> Jared Walczak and Scott Drenkard, “State and Local Tax Rates, Midyear 2018,” Tax Foundation (July 16, 2018), <https://taxfoundation.org/state-local-sales-tax-rates-midyear-2018/> (last accessed on January 29, 2019).

<sup>74</sup> Harry Davies, “Revealed: how Project Goldcrest helped Amazon avoid huge sums in tax,” The Guardian (February 18, 2016), <https://www.theguardian.com/technology/2016/feb/18/revealed-project-goldcrest-amazon-avoid-huge-sums-tax> (last accessed on January 29, 2019).



Source: *The European Commission*

A report by the European Commission revealed that the company shifted profits between Amazon EU (the operating company) and Amazon Europe Holdings Technologies (the holding company or AEHT) in order to save millions of dollars in taxes. The Commission ruled that the Luxembourg deal was illegal and ordered the country to recover €250 million in taxes from Amazon.<sup>75</sup>

In the United States, Amazon has aggressively exploited loopholes in the tax system to avoid paying its fair share of taxes. Last year, the Institute of Taxation and Economic Policy (ITEP), a nonpartisan think tank, reported that Amazon paid essentially no federal tax on \$5.6 billion in U.S. profits for calendar year 2017.<sup>76</sup> According to the report, Amazon was able

<sup>75</sup> European Commission, "State aid: Commission finds Luxembourg gave illegal tax benefits to Amazon worth around €250 million," October 4, 2017, [http://europa.eu/rapid/press-release\\_IP-17-3701\\_en.htm](http://europa.eu/rapid/press-release_IP-17-3701_en.htm)

<sup>76</sup> Gardner, Matthew, "Amazon Inc. Paid Zero in Federal Taxes in 2017, Gets \$789 Million Windfall from New Tax Law," Institute of Taxation and Economic Policy (February 13, 2018), <https://itep.org/amazon-inc-paid-zero-in-federal-taxes-in-2017-gets-789-million-windfall-from-new-tax-law/> (last accessed on January 29, 2019).

to take advantage of various tax credits and breaks to effectively zero out its federal taxes for the year. In fact, according to ITEP, Amazon paid an effective federal tax rate of 11.4 percent between 2012 and 2016, sheltering over two-thirds of its profits from taxes during that five year period.

### Amazon as an Employer

The rollout of the deal highlighted that it would create up to 40,000 jobs with an average wage of \$150,000. That high average wage however does not guarantee that all jobs will be high paying, nor are the wages a full measure of the value of a job. There is also the question of not just benefits, but the less easily measurable aspects of flexibility and work environment. In other words, the announcements thus far do not provide a full picture of whether these are good jobs or not.

Amazon has a strong reputation for jobs that check many of the boxes of a good job. The \$150,000 average wage represents salary nearly three times the median New York City income. But more than that, Amazon has also been noted for offering generous benefits, such as up to 5 months of paid maternal leave for new birth mothers, and up to 6 weeks of paid parental leave for other parents.<sup>77</sup> Moreover, those benefits covers all direct employees at Amazon, including warehouse workers.

However, like many large companies, Amazon utilizes subcontractors for various jobs such as bathroom cleaners and couriers. But unlike similar companies, such as Microsoft or Facebook, Amazon does not mandate paid family leave, minimum wages, or paid time off.<sup>78</sup> This becomes a greater concern as the company has looked to increase subcontracting to effectively act like its workforce. It recently rolled out a program called Amazon Flex, which mimics ridesharing companies in that it allows workers some flexibility in their schedule. Amazon has touted this as a good job, with pay that they claim averages \$18 to \$25,<sup>79</sup> well above minimum wage. However, this employment model saddles the delivery workers with

---

<sup>77</sup>Ruth Umoh, "Amazon takes parental leave so seriously, even spouses get paid time off", CNBC (October 5, 2017), <https://www.cnbc.com/2017/10/05/amazon-takes-paid-parental-leave-so-seriously-even-spouses-get-it.html> (last accessed on January 29, 2019).

<sup>78</sup> Lydia DePillis, "Why Amazon's HQ2 might be better for New York than for Virginia", CNN Business (November 24, 2018), <https://www.cnn.com/2018/11/24/business/amazon-indirect-jobs-hq2/index.html> (last accessed on January 29, 2019).

<sup>79</sup> Amazon.com, "Great money. Great flexibility." <https://flex.amazon.com/> (last accessed on January 29, 2019).



expenses such as gas and wear and tear on the delivery workers' cars.<sup>80</sup> Add to that the gigs do not include basic fringe benefits like health insurance or overtime pay, nor does it guarantee a minimum set of hours. Taking this all into account, these jobs seem less lucrative than the headline wages might suggest. One study found that the jobs have a net pay of only \$5 to \$11 an hour.<sup>81</sup>

Even taking into account total compensation packages does not fully answer the question of whether a job is good or not. Anyone who has worked in a toxic work environment knows that first hand. A researcher who took an undercover job at an Amazon warehouse noted that employees were “peeing in bottles” because the bathrooms were too far away and the fear of supervisors viewing a bathroom break as an employee taking too much “idle time.”<sup>82</sup> Stories like that perhaps illustrate why union organizers have found a receptive audience. Indeed, some have opined that Amazon’s announcement last year to raise its minimum wage to \$15 an hour may have been an effort to stave off union organizing efforts and political pressures<sup>83</sup>. Others have also cited the holiday shopping rush and Amazon’s need for seasonal workers to help with that rush in tight labor market<sup>84</sup>. However Amazon relies on so called “seasonal” arrangement year around. Many people in this so-called seasonal position are hired through staffing agencies, a setup that allows Amazon to avoid liability for unsafe or unfair working conditions<sup>85</sup>.

---

<sup>80</sup> Alana Semuels, “I Delivered Packages for Amazon and It Was a Nightmare”, The Atlantic (June 25, 2018), <https://www.theatlantic.com/technology/archive/2018/06/amazon-flex-workers/563444/> (last accessed on January 29, 2019).

<sup>81</sup> Olivia Zaleski, “Amazon Raises Minimum Pay for Everyone—Except These Workers”, Bloomberg (November 1, 2018), <https://www.bloomberg.com/news/features/2018-11-01/amazon-flex-workers-are-left-out-of-minimum-pay-raises> (last accessed on January 29, 2019).

<sup>82</sup> Chris Pollard, “Amazon workers pee into bottles to save time: investigator”, New York Post (April 16, 2018), <https://nypost.com/2018/04/16/amazon-warehouse-workers-pee-into-bottles-to-avoid-wasting-time-undercover-investigator/> (last accessed on January 29, 2019).

<sup>83</sup> Lydia DePillis and Eric Bradner, “Warren and Sanders demand answers from Amazon on alleged union-busting”, CNN Politics (October 17, 2018), <https://www.cnn.com/2018/10/17/politics/warren-sanders-amazon-union/index.html> (last accessed on January 29, 2019).

<sup>84</sup> Louise Matsakis, “Why Amazon Really Raised Its Minimum Wage to \$15”, Wired Magazine (October 2, 2018), <https://www.wired.com/story/why-amazon-really-raised-minimum-wage/> (last accessed on January 29, 2019).

<sup>85</sup> Institute for Local Self-Reliance, “How Amazon Undermines Jobs, Wages, and Working Conditions” [https://ilsr.org/wp-content/uploads/2018/03/AmazonLaborFactSheet\\_FINAL.pdf](https://ilsr.org/wp-content/uploads/2018/03/AmazonLaborFactSheet_FINAL.pdf) (last accessed on January 29, 2019).

Questions of bad work environments and corporate culture at Amazon are not limited to the blue collar labor force either. A 2015 New York Times investigative piece painted a picture of an incredibly punishing, and unforgiving work environment at its Seattle headquarters<sup>86</sup>. While some thought the competitive environment allowed them to thrive, the article recounted instances in which female employees were pressured to decide between work and family. One female employee, Molly Jay, whose job performance was above reproach, began facing pushback after traveling to care for her father stricken with cancer. Similarly, the article tells of Michelle Williamson, a 41 year old mother of three children, said, in her own words, that she was emphatically told that “raising children would most likely prevent her success at a higher level because of long hours required.” The article also noted that the median employee tenure was only one year, among the lowest amongst Fortune 500 companies. Though Amazon argued that it’s fast pace of hiring meant that figure was misleading, it did not provide any contrary data to prove its point. An odd response for such a data driven company.

These may be isolated incidents, or the company may have moved to shift its culture. Regardless, it illustrates the need to ask the questions about what kind of jobs Amazon brings to New York City, and that the answer of a high salary is not sufficient.

## Conclusion

The goal of economic development should be shared prosperity and equitable growth. Development policy must be shaped by the context and current economic needs of the City, and partners should be chosen with an eye towards those goals. This paper is not intended to reach conclusions about the Amazon HQ2 project but to point out the kind of questions that need to be asked.

Net measures that show impressive economic gains may mask how those gains reflect other indirect costs, such as increasing housing prices for already strained renters, that tax dollars from existing residents and new revenues from Amazon may be spent on services for

---

<sup>86</sup> Jodi Kantor and David Streitfeld, “Inside Amazon: Wrestling Big Ideas in a Bruising Workplace”, The New York Times (August 15, 2015), <https://www.nytimes.com/2015/08/16/technology/inside-amazon-wrestling-big-ideas-in-a-bruising-workplace.html> (last accessed on January 29, 2019).

newcomers, and that the arrival of those newcomers will add strain to an infrastructure and housing stock that is already stretched thin. We need to consider the efficiency of our tax and other incentive policies, are they really needed? We need to think about rent extraction by large corporations. Do the City and State really need to engage on their terms?

We also need to consider our partner. In fairness to Amazon, its rent seeking behavior and use of market and political power are not that different from many other large firms. Nor is its tax avoidance unusual. However, Amazon is responsible for its own behaviors and we need to consider that behavior in deciding with whom we partner in economic development.

The Council's Finance Division is developing tools to help address some of the questions detailed above. Once those tools are available, a second white paper will be produced.