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Bank Merger's a Wakeup Call

CHEMICAL BANK'S takeover of the Chase Manhattan Bank has sparked a lot of concern around New York about reduced competition in banking and fewer bank branches.

But with mutual funds and discount brokers proliferating, banks will have plenty of competition. And with automatic teller machines soon to be built even in police precincts, there will be plenty of places to get money. After all, banking today depends more on telephone lines than it does on real estate. And most New Yorkers prefer a 24-hour-a-day ATM to a bank branch that's open just six hours.

No, the problem New York faces is jobs and where will they come from. That's why the Chemical-Chase merger which will cost New York 3,000 to 4,000 jobs should be a wakeup call for politicians. It highlights the need for a new strategy to guide the city's economic future because not even the pro-business Republicans controlling City Hall and Albany can insulate New York from the harsh forces of technology and corporate cost-cutting.

Specifically, this merger demonstrates the need for New York to identify new sources of job growth in the next century. With government spending down at the federal, state and local levels and new controls being imposed on the health care industry, entry-level jobs for high school dropouts and graduates are rapidly disappearing.

In fact, the new wave of bank mergers signals that even well-trained college graduates cannot count on traditional industries like banking for the jobs that will cover their mortgages and pay for their kids' education. How does New York City pursue a job-creating strategy? Income tax cuts, reduced crime and a booming stock market are simply not sufficient to create and attract jobs when there is less expensive labor and space in some third-world country.

So New York has to become a better - not just cheaper - place to do business:

- First, the outmoded zoning code must be simplified so that it does not stifle entrepreneurs with excessive land-use controls.
- Second, we must rebuild the city's vocational education system so that young people can enter the labor market without a college degree.
- Finally, New York must renew its waterfront - the single most abused asset the city has - whether it's the Rockaways or Brooklyn Heights.

There are some silver linings for New Yorkers in the Chemical-Chase merger. With the nation's top two banks the - new Chase and Citicorp headquartered here - New York's position as an international financial center will be unchallenged.

And it's good news that Chemical is acquiring Chase and not one of the many out-of-town bidders,

like Bank of America. While duplicate back-office, trading and legal staffs undoubtedly will be consolidated, the bank's headquarters will be located at 270 Park Ave. in the heart of midtown. not on the West Coast. And since so many clerical and data-processing jobs have already been moved out of high-cost New York office space, the 12,000 jobs this merger will cost will be felt throughout the nation, not just here. New York will lose about one third of the jobs - a severe jolt but not the full blow.

But counterbalancing that is another issue: the role of commercial banks as a source of capital in New York's diverse neighborhoods.

Although Chemical Bank has aggressively reached out to small and medium-sized businesses. Chase has been at the forefront in rebuilding the city's housing stock.

New York City will really suffer if the Chase Community Development Corp., a genuine leader in low-income housing, does not survive this merger. City officials should use whatever influence they can to avoid that outcome.

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