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WHY MELTDOWN WON'T STOP NYC

By MITCHELL L. MOSS

NEW Yorkers worried about the long-term impact of the global financial crisis should cheer up: The city will emerge all the stronger.

Clearly, the collapse of major investment banks headquartered here has harmed the city economy and tax revenues - and will also strain local nonprofits. But these are short-term effects; longer-term trends are to our advantage.

London, New York's chief rival for "world financial capital," is now declining rapidly: The British economy is simply too small to sustain the financial services it had attracted, and its finance jobs are moving to the Middle East.

And the world is evolving from a handful of financial centers (London, New York, Hong Kong and Tokyo) to a chain of them that includes Dubai, Shanghai, Singapore, Mumbai, Johannesburg and Abu Dhabi. Among these, New York will have a strong appeal to many investors - the intense regulation and transparency that the United States will impose.

Then, too, our largest investment banks will operate under the rules of bank-holding companies - that is, they'll be regulated by Federal Reserve rules. That will make the Federal Reserve Bank of New York, with its direct understanding of what banks really do, even more powerful in coordinating both domestic and international finance.

New York will thus become the preferred "safe haven" for those seeking a highly regulated and safe place for their money.

Meanwhile, the consolidation of US commercial banks is resulting in three dominant banks: JP Morgan Chase, Citibank and Bank of America. New York City is the headquarters of the first two. And Bank of America long ago recognized that it must be in New York to compete in global finance. That's why it's leasing 1.6 million square feet in a new "green" skyscraper in the heart of Midtown.

New York really has no domestic competition. More than two-thirds of all foreign banks doing business in America operate under charters or licenses granted by New York state. Bank of America's home may remain Charlotte, NC, but most people go there for NASCAR races, not to finance new businesses.

Nor will Washington supersede New York as the nation's financial capital: The District of

Columbia is fundamentally a hub of bureaucracy, not entrepreneurial interaction. DC is built on collecting taxes and spending money, not making money. As long as most people there live off the federal treasury, capitalism will always be a sideshow.

And 21st-century capitalism is the opposite of government. It relies on speed, quantitative agility and risk taking - attributes that are anathema to Congress members. Financiers will never migrate to DC except for seasonal employment.

Furthermore, while finance is vital to our city, this isn't a one-industry town. In fact, the city has no single, dominant industry. More than 3.5 million people work here. Financial services account for more than 20 percent of city wages but less than 5 percent of city workers.

Moreover, New York has experience dealing with financial disasters, such as the dot-com crash in 2000 and the "junk-bond" scandals of the '80s.

This crisis will renew the "soul" of the city. The career pyramid was getting distorted here, with excessive attention given to wealth and insufficient recognition to other forms of activity and work.

People flock here for a reason: No other city is as open to newcomers; no town rewards achievement like New York. That's what distinguishes us from other places where money alone defines success.

Most New Yorkers are here by choice; they thrive on living by their wits. Those who lose their jobs will find new ways to earn a living. Today, the laptop is what the sewing machine was to the 19th century - a cheap and easy way to get a start in the local economy. In fact, almost 800,000 New Yorkers are self-employed, encompassing everything from graphic artists to limousine drivers.

The city is also probably the best place in the world to be unemployed. Beyond incredible public parks and museums, it's filled with opportunities for part-time and casual work - plus an abundance of community colleges and trade schools where one can acquire new skills and an array of high-quality public services. The Queens Public Library is the largest circulating library in the nation.

New York's strength lies in its ability to nurture and sustain talent and creativity: from hip-hop music to customized manufacturing, from online publishing to pan-Asian cuisine, from health care to film production to global advertising.

New York City's secret is that it periodically reinvents itself. In 1950, we had more than 1 million people working in manufacturing. Today, we have more people working in higher education than in manufacturing. The city has become the world information capital, whether it's information about food, finance, fashion, culture or international events. Mobile communications and the Internet tie New York to the world, allowing us to be the switchboard for the globe.

The next few years will be tough, but no one should doubt New York's capacity to renew itself.

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