

Economic Impact

by {ga=jbrustein}

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New York's economy had already been in recession for nine months by the time the Twin Towers were attacked. While it is difficult to separate the economic impact of the attack itself from the wider economic downturn, it is clear that 9/11 had a serious effect on the city's economy.

The Partnership for New York City, a business organization in the city, recently estimated that the city suffered an \$87 billion economic loss because of the attacks.

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In total, the city's tax revenue dropped \$1.5 billion, or about 6.4 percent between fiscal years 2001 and 2002; personal income tax revenues dropped \$1.2 billion, or about 26 percent over the same period. New Yorkers lost \$2.8 billion in wages. And when the city's tax revenue rose above pre 9/11 levels in fiscal 2003, it had as much to do with the mayor's property tax hike in November 2002 as it did with a general economic recovery.

Lower Manhattan suffered most severely. Small retail businesses, which lost customers as foot traffic in the area declined and generally have more trouble than larger businesses taking losses, were hit especially hard. But the impact of the attack spread across the city. The outer boroughs, especially Queens with its heavy reliance on its airports, all lost jobs in the wake of the attacks.

In late 2003, the city pulled out of a two-and-a-half year recession but signs of recovery remain mixed. Eighty percent of jobs lost due to 9/11 have returned to the city, but the unemployment rate remains above pre 9/11 levels. According to the city's tourism bureau, in 2003 more visitors came to New York than ever before, even as the number of international visitors was the lowest number since records have been kept.

Many feared that after 9/11 businesses would be eager to leave Manhattan, or at least reluctant to start large new operations in the city. Indeed, few companies have expressed interest in the Freedom Tower on the World Trade Center site. But across the street, buoyed by federal Liberty Bonds designed to encourage development in the city, Goldman Saks is planning a new office tower. The New York Times and Bank of America are also using Liberty Bonds to construct office towers in midtown.

But the [flow of jobs](#) to New Jersey, one that existed before 9/11, has not ceased. Since the attacks, JP Morgan Chase, UBS Financial Services, and Citigroup, are [am](#)
[ong the companies](#) that have crossed the river. While this has arguably made the financial system less vulnerable to terrorist attacks, it has also taken a significant amount of tax revenue from the city's coffers.

Meanwhile, the ongoing threat of terrorism has made doing business in the city more expensive. The Partnership for New York City estimates that major downtown businesses are spending up to ten times as much on insurance and security than they were before 9/11, even if, as a New York Times article recently reported, many companies are [not actually paying](#) for the plans that they draw up.

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