

## **NEW YORK CITY AND THE NEW DEAL**

### Session Four | How to Make New New Deal Happen

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Thank you, Mike. I will have difficulty summoning the same passion for the private enterprise system that you have for the federal welfare state, so I'm going to talk about a few areas where I think we agree, and perhaps disagree, as a way of starting what I hope will be a conversation.

We certainly agree that the New York City economy has been over-dependent on the financial services industry. We won't have any choice, in the next few years except to reduce that dependence because structurally, the global financial services industry is still overbuilt, and is shrinking.

And number two – as a result of 9/11 and the security and business continuity concerns of the financial services industry, large firms are diversifying their locations and moving out of New York. Hopefully, many will diversify within the five boroughs, but there are some concerns that they're going to London and other places around the world.

Since September, in 2001, we have lost more than 20,000 jobs in the financial services industry with an average salary of \$200,000. Each of those jobs creates two other lower-income jobs in the city. So you're talking about 60,000 jobs, just in that sector of our economy since September.

So we have a large hole to fill and we agree that new jobs must come about through diversification of the economy. We do not see the financial services industry growing. We see it continuing to shrink, in terms of its contribution to New York City. Loss of revenues from this industry is the single biggest contributor, besides 9/11 to our current fiscal crisis.

In terms of what we should do about that, I take my cue from Jane Jacobs' admonition that when you're trying to figure out how to build the economy, try to go with the forces of the marketplace, rather than against them. I think the forces of the marketplace in the 21st century economy are towards a knowledge-based economy.

We're lucky in that New York City has 750,000 people with graduate degrees. That's more than the entire population of San Francisco. We have an enormous resource in terms of universities and medical research. We've got as many Nobel laureates as any place in the world.

We have tremendous opportunity to build on our university base. Traditionally, New York higher education institutions have not been connected to industry and economic

development to the same extent that these connections exist in other places. Building these connections is an important place to start in terms of building our economy. That will require both public and private investment in university/industry partnerships.

In the wake of the 9/11 attack, economic development resources have been focused on Lower Manhattan. There's been a tendency not to think about the needs of the five boroughs. That's obviously not prudent. The likelihood of major, new commercial activity coming back to the World Trade Center site in the next five years is very small.

We have a hole to fill immediately in our economy and we have to be as practical as we can about short-term and citywide efforts to grow our economy.

There is certainly the need for a national of cities, particularly among cities with global ambitions. New York has a huge imbalance of payments with the federal government that we have to readdress. New York City deserves more federal support because we are the gateway to global markets for all of America. This has enormous costs, such as the cost of building and maintaining a 21st century infrastructure, whether it's our airports or our subway system, or our regional transportation system, as I'm sure Congressman Nadler will speak about.

We also bear the cost of being the focal point for immigration to America from around the world. In a sense, that's great because we're the magnet for global talent. But on the other hand, there is a cost in terms of schools, housing and our social infrastructure – which we can no longer support through our local tax base even if we tax commuters.

We are going to have to work together on trying to bring solutions from Washington. I think we also agree, and you went into this more in the book in the context of Lower Manhattan -- we agree on the need for transparency. I accept your challenge that we look at government expenditures on corporate retention. But we also need to look at other areas: and make value judgements about the opportunity costs of those on a positive note, the people of New York still represent the most amazing global talent pool.

Bob Kerrey recently spoke to a meeting of the Partnership and described New York as the greatest global political experiment. Around the world, cities and nations are fighting immigration and ethnic groups are fighting each other. New York is a truly international city. Within just a short time after moving here, people feel like it is home.

I recently talked to the head of one of the world's largest accounting firms. He said that his clients and companies around the world are demanding professionals who have been trained in New York. People have come to recognize that there's no training ground more important to professionals than New York City.

And so, we are exporting our training, our experience, the work culture of New York. We are exporting it around the world. We are recognized for that, and that really is the basis for optimism about the long-term positive prospects for our economy.