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Recession Could Buoy Bloomberg '08

From a housing slump to record high oil prices, the economy and a looming recession are edging out all other issues on the presidential trail these days, even Iraq.

At town hall meetings and during debates, the candidates are being asked how they would handle a serious economic downturn. Voters regularly say they want to hear more about candidates' approaches to handling the economy.

The Republican candidates say they would cut spending to preserve President George W. Bush's tax cuts as a way to stave off a recession. The Democrats, not surprisingly, have followed a slightly different tack: Sen. Hillary Clinton unveiled an economic strategy that includes billions in spending and billions in tax rebates, and Sen. Barack Obama would cut taxes for middle and lower income families.

But Mayor Michael Bloomberg, whose presidential prospects are reaching a fever pitch as the Super Tuesday primaries get closer, arguably has more business and financial expertise than all the other candidates combined.

As a partner at Salomon Brothers and the head of financial services giant Bloomberg LP, the mayor accrued not only billions in personal wealth but years of experience tracking the ups and downs of Wall Street.

A recession could amount to an ace-in-the-hole for Bloomberg's presidential platform, provided he presented a plan of action.

"I haven't heard Bloomberg articulate an economic plan for the country," said James Parrott, chief economist at the Fiscal Policy Institute. "Conceivably, he would have some credibility. But you have to start with a compelling economic program."
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by the subprime mortgage crisis. And as it suffers, evidence is emerging that New York's status as the world financial capital is starting to slip as the city begins to lose its competitive edge to London, Dubai, Hong Kong and Tokyo.

After five years of economic growth, the city's fiscal outlook is grim, according to the latest report from the Independent Budget Office, which projects a budget gap of \$3.1 billion in 2009, or roughly \$360 million more than Bloomberg's October estimate.

Bloomberg has always tied the city's economic fate directly to Wall Street's.

"We are still very sensitive to Wall Street profits," Bloomberg said at a recent press conference. "There's no question revenues will go down as Wall Street profits go down. So that's not good."

"As the mayor, he can be a force for articulating what the issues are and advocating for change," said Kathy Wylde, president of the Partnership for New York City. "But in terms of what he can do for himself, it's very limited."

Last year, Bloomberg released a joint report with Sen. Charles Schumer (D) full of dire warnings about the city's precarious economic position. The post-Enron regulatory environment is too restrictive for New York to remain competitive and economically viable in the face of global competition, Bloomberg and Schumer concluded.

Wall Street observers say that though the problem is much bigger than New York, there are still several things that Bloomberg and his administration can do to prop up the local financial industry.

Charles Geisst, a professor of finance at Manhattan College and author of Wall Street: A History, believes Bloomberg could offer financial incentives in the form of tax abatements to brokerage firms, hedge funds and other financial groups to convince them to keep their businesses in New York.

"But once he's laid out the red carpet, he can't just keep standing there in the uniform, greeting people at the door. Because it's not necessary," Geisst said.

Very important may be deals to keep financial firms in Manhattan, such as the ones that went to JP Morgan Chase to build a 42-story skyscraper near Ground Zero and to Goldman

Sachs, which received \$650 million in subsidies in 2005 to build its headquarters in Battery Park City.

Even these tax breaks may not be enough to keep the city competitive in the face of overly restrictive visa policies, Wylde said.

"The more barriers the U.S. erects, the more difficult it is to attract people here," she said.

But Bloomberg's most powerful tool may well prove his ability to bend ears in Washington, where policy fixes can take place, said Nicole Gelinis, a senior fellow at the conservative Manhattan Institute think tank. But whether he has been as adamant as he should be over the last year is hard to say, she said.

Gelinis said Bloomberg could go a step further by cutting income taxes across the board, which would encourage job

growth on Wall Street as well as work toward diversifying the city's economy.

The Bloomberg-Schumer report also recommended a joint venture between city and state officials and local business and financial interests to oversee efforts to strengthen Wall Street in the face of the twin crises of subprime mortgages and overseas competition.

To that end, last spring, Gov. Eliot Spitzer (D) created the New York State Commission to Modernize the Regulation of Financial Services, which includes representatives from the worlds of insurance, securities, banking, business and government.

Most of all, though, Bloomberg's power may come down to his persona. His standing as an international business and media figure gives him the credibility to speak forcefully about economic issues, Wylde said.

And that would only be helped if, as many expect, he wades into the presidential campaign.

"If he entered the race," Wylde said, "this would become a critically important issue."

Energy Key to New York's Competitiveness



By Kathryn Wylde

From Fortune 500 corporations to fledgling entrepreneurs working from home, virtually every New York-based business now competes globally, relying on electricity to power our economy, jobs and way of life.

New York's key industries — financial and professional services, media, information technology, health and real estate — all depend on the reliable availability of huge amounts of power. Our strong and redundant power supply system has long been a competitive advantage for attracting and keeping jobs in New York City. Confidence in our system was reinforced by the incredibly fast recovery from the 9/11 terrorist attack that took out a huge section of the Manhattan power grid.

Unfortunately, our highly competitive power system is in jeopardy today because of political deadlock over the state process for approving new power generation facilities. As a result, the business community is seriously concerned that demand will soon exceed the supply of electrical power. According to Con Ed, in 2007 New York City and Westchester used 62,591 gigawatt hours of electricity. That eclipsed previous records and surpassed 1997's usage by more than 23%. Without a realistic state energy strategy in place, there may not be enough power to run our economy in the future.

In his State of the State address on January 9, Governor Spitzer reiterated his intention to secure legislation that would expedite the siting and building of additional power plants. Industry, government and environmental interests must come together to support a siting law that insures New York's ability to power continued economic growth. And it is time to cease the calls for closing the Indian Point nuclear power plant that the city depends on because there is no way to replace it as an energy source.

It is well known that great cities grow or die. They don't stand still. New York needs to act now to guarantee a sufficient energy supply that, along with significant conservation efforts, will insure our continued economic vitality.

Kathryn Wylde is President & CEO of the Partnership for New York City and a Advisory Board Member of the New York Affordable Reliable Electricity Alliance.

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