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Institute of International Relations  
and Commerce**

**The LEVIN Institute was the  
Knowledge Partner for the Economist  
Conference on "The Future of  
New York City as the World's  
Business Hub: Global Business in  
the 21st Century City"**

**Economist Conferences**

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In October 2007, Economist Conferences and The Levin Institute partnered to present "The Future of New York City as the World's Business Hub," a day long conference that focused on New York City's competitive position in the global economy. The conference brought together business and market leaders, elected officials and policy makers as well as academics and international experts. Their task was to examine and evaluate New York City's standing among the world's leading cities as a center of commercial activity in the 21st Century.

This event continued The Levin Institute's focus on the impact and implications of globalization. Previous conferences studied the "Evolving Global Talent Pool," "Industrial Innovation in China," and "Emerging Innovation in China and India." As a system wide graduate institute within the State University of New York, The Levin Institute's mission is to prepare students to work effectively and ethically across borders and cultures, conduct leading research on key aspects of globalization, and to organize high level public events that address today's global agenda. We hope that the information and expertise from this conference on New York City will be of value to you and to the broader public.



**Paul Tagliabue**  
Chairman



**Garrick Utley**  
President

A case can be made that no American state has benefited more AND suffered more from the forces of globalization than New York. While the City of New York has prospered from the flow of financial and human capital over the past two decades, much of the rest of the state has seen serious economic decline as industries and jobs have moved elsewhere in the nation and around the world. As a new institute within the State University of New York, with our location in the heart of New York City and with our focus on the dynamics and consequences of globalization, The Levin Institute is well placed to have both a global and a local view of the accelerating changes in the global economy and their impact on a nation or a community; even one as large and confident as New York City.

Because New York City has and continues to play a leading role in global commerce, The Levin Institute was delighted to join with Economist Conferences as a Knowledge Partner for this conference on the future of New York City as the world's business hub. Conference participants understood and articulated the reality that New York City's leading position in many fields is being challenged by the emergence of growing and competing financial and business centers in London, East and South Asia, the growing influence of sovereign wealth funds, as well as the inevitable opportunities and pressures of new technologies.

As conference participants listened to addresses by Mayor Michael Bloomberg, Schools Chancellor Joel Klein and Police Commissioner Raymond Kelly, a consistent theme was that as important as the new global forces are, local issues were just as critical. These range from basic public education, to attracting and keeping talented people working in the city, to ensuring that the infrastructure around and beneath us continues to meet the demands of a growing population headed toward nine million. There was also recognition that as powerful and prosperous as the financial industry in the city has been, New York needs to diversify its economic base. This will have to come mainly in new and growing knowledge industries. New York City is home to leading university and other research centers with international reputations and impact in science and technology. However many of the ideas and advances that come out of New York City based research do not remain in the city; entrepreneurial start up firms, in most cases, prefer to locate elsewhere. This raises questions about the affordability of New York City for these new business enterprises and the talented people needed to staff and lead them.

Fortunately, conference participants concluded, New York

City will continue to attract talented people; immigration has always been the life blood of the City, never more so than now. As the knowledge economy (and society) grows nationally and globally, New York City must claim and build its place at the table. That will require vision, leadership and money. New York City has shown that it can generate and harness all three. At The Levin Institute we were pleased to play a central role in this event. We look forward to building our networks and partnerships as we address the impact and implications of globalization on New York City and State.

## Conference Participants

### Session 1

*Patrick J. Foye*  
Chairman, Downstate,  
Empire State  
Development Corporation

*Kathryn S. Wylde*  
President and  
Chief Executive Officer,  
The Partnership for  
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*Robert C. Lieber*  
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### Session 2

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*Robert P. Kelly*  
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*Stephen M. Ross*  
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### Session 4

*Nancy Peretsman*  
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*Jonathan Bowles*  
Director, The Center for  
an Urban Future

*Jerry Hultin*  
President,  
Polytechnic University

### Session 5

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Chancellor,  
New York City Schools

*Marc Sternberg*  
Principal and Co-founder,  
Bronx Lab School

*Daniel Burton*  
Senior Vice President,  
Global Public Policy,  
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### Session 6

*Valerie Germain*  
Managing Partner,  
Strategic Partners Program  
and Senior Partner,  
Global Financial Services  
Practice, Heidrick &  
Struggles

*Paul Tagliabue*  
Former Commissioner,  
National Football League

*Richard Edelman*  
President and  
Chief Executive Officer,  
Edelman

# Preface

On October 2, 2007, Economist Conferences and The Levin Institute partnered to present “The Future of New York City as the World’s Business Hub,” a conference that spotlighted New York City’s competitive position in the global economy. The conference brought together policy-makers, market leaders and elected officials from all areas of the world to examine New York City’s standing among the world’s cities as a center of commercial and cultural activity in the twenty-first century.

A summary of this conference presents insights and commentary from the roundtable, based on a transcript of conference panel discussions. We thank the speakers and the participants for their participation in the conference.



# Keynote Address of Michael R. Bloomberg

**Michael R. Bloomberg**  
Mayor, City of New York

The speakers and panelists you brought together are as impressive as Joe Torre's lineup at Yankee Stadium. It is also a pleasure to see an old friend, or should I say friend of long standing. There you are, Meyer - the former dean of the Columbia Business School, Meyer Feldberg. And you should know that in spite of being a great banker, he has found time to help this city and run Global Partners, which is our sister city program. And it really is important for us to develop relations with other cities around the world.

Some of them are easy to do - New York and London, just because there are enough people going back and forth, and there are a lot of New Yorkers working there and a lot of Londoners working here. But with other cities it is harder. There are a lot of good ideas in each of these cities and none of us should be afraid of borrowing, if you will, or copying, plagiarizing, whatever the word is, good ideas from other places in the world.

All big cities, in many senses, have exactly the same problems, and everybody comes up with different solutions. Some are transferable and some are not. The press here was full of stories as to whether or not I thought the bicycle program in Paris would be transferable to here. Well, our streets are different. The weather's different. Our safety restrictions, requirements, are different. But nevertheless, we should never be afraid to look elsewhere, and I am not. I have no pride of "not invented here" kind of thing. If somebody's got a good idea, we're going to try it.

Today in New York City, our unemployment rate is at an all-time low of 4.9 percent. The annual dollar value of new construction in the city has reached an all-time high of 21 billion dollars.

Our tourism business is on pace to set new records. And I think the future for New York City, if we have a little bit of luck, and you always need luck, is really bursting with promise. And that promise is why so many of you are linking your futures and the futures of your companies ever more strongly to New York.

It's a wise choice. I think there's every reason to feel confident about New York City's prospects in the years to come. I think it is well-founded optimism, not irrational exuberance. We have our problems, as does every other city, but I think we are trying to address each of those problems.

And they are getting better. We have a school system that still leaves many kids behind. On the other hand, we're graduating 20 percent more kids than we did five years ago, and math and English scores are up roughly 20 percent.

The big improvement has been among the minority groups that for so many years have been left out. We made a decision when we came into office that every child deserved a good education and we're really trying to work at it.

One of the things that really is different about New York City compared other cities, is its diversity. Lots of cities have great diversity, but in New York City, the diversity is in every block. If you think about it, you can live in a block that has residential and retail and commercial and maybe even industrial. You can live in a block where you have luxury market-rate housing and subsidized, affordable housing in the same block.

You can live in a block with an awful lot of different ethnicities than you could anyplace else in the world. And that's why I think race relations here are better than they've ever been. That's why crime continues to come down in the city, because people have a respect for one another.

One of the things we've done, for example, to bring down crime is diversify our police department. Our police department today reflects the community that they serve, and in most other cities that's not the case. But if the person in the street doesn't think the cop they see understands them and has a respect for them, then they'll behave differently than if they feel they're going to be fairly treated. And if they think they'll be fairly treated, they will help in apprehending the bad guy.

So things are going well in the city, and our ability, I think, to ride out any intermediate economic turbulence and still remain the world's business hub probably is pretty good.

Yesterday I spent the morning with Ken Livingstone. I took a subway with his head of transportation - an American, incidentally - and then Ken and I rode a hybrid bus, and then he very graciously gave a lunch at a place near to City Hall.

And, you know, both of us are very dependent on financial services - actually, it's interesting - London and the U.K. even more than New York and the United States. And if the

financial services sector slows down, we're all going to feel some pain.

I keep warning people here that it's time to be a little more cautious. You still want to be expansive and build for the future, make investments in infrastructure. You still want to make sure that the streets are clean and safe and that we help our cultural institutions.

But you just have to understand that we've had a number of matter of fact years of continuous growth on our revenue side, and nothing grows forever. We have tried to focus on short-term and long-term policies that let us save for the future, and when we have good times, when our revenues exceed expenses for a particular year, go and make the investments in the future that will help us in those years when the reverse is true.

And if you think about the way cities work, the economic model is not a very good one. We have variable revenues and fixed expenses, and no business would ever try to run that way.

Our expenses go up when our revenues go down because that's when people need government services in tough times. An economist would say you can't run it that way, but that's the real way cities work.

And cities don't go out of profit lines, can't go out of profit lines. When somebody tells me, run it like a business, well, there are good management practices that businesses have that you want to use in running a government, but that's not the same thing as running it like a business. There are succession issues, there are disclosure issues and there is the reality that you still have to provide services and that you have to provide more services at exactly the time that a business would hunker down and say, let's not do that.

The other thing to keep in mind, if you're thinking about how you run a city, versus a government: in government, you dumb down all the time. In business, if you have a profitable line and an unprofitable line, you'll move salesmen and resources from the unprofitable line to the profitable line, because that's where you're going to have a future.

In government, people in the unprofitable line scream louder and nobody defends the profitable line. So you actually move resources from things that work to things that haven't been working and probably won't work. And that's just the reason that governments tend not to innovate very well and tend not to take advantage of

everything that they have.

Keeping the city's finances on firm ground, while also protecting city services is something that we have to do. These two go hand in hand. Fiscal prudence helps maintain city services.

There was an editorial today in one of the papers saying you're spending too much. Well, we're making investments for the future. Paying down next year's debt service is not spending too much. Building a new sewer system and water system and investing in schools is not spending too much. Those are things you have to do.

The reason the city got into trouble in the '70s was they cut back on essential services. They stopped cleaning the streets. They stopped protecting the public. They stopped buying new buses and all of those kinds of things, and lo and behold, people left the city and the tax base went down.

When I came into office, I said, you just can't run the railroad that way, and, in fact, raised property taxes. It was not a popular thing to do. I can tell you, if you want a character-building experience, raise property taxes and then do a parade on Sunday. If you added a smoking ban in, that would make it even more difficult. But nevertheless, cities have to keep investing in the future. Our competitors do it, and we can't afford to have companies leave the city.

When I came into office, the general zeitgeist was that nobody would live downtown. Businesses would move half of their employees out of the city. They certainly would have no new corporate headquarters coming here. Tourists would stop coming. It was dangerous and all that sort of stuff.

And, in fact, exactly the reverse is true. We've lost no companies. I don't know of any company that's really moved a significant number of people out of town. They may move some of the back office, but hopefully they moved it to Brooklyn or to Queens rather than outside of New York City.

And in any case, the total employment in New York City is probably greater today than it was five years ago. And downtown it is just booming. Tiffany's is opening on Wall Street. I mean, who would have thought? You know, five years ago, nobody. Ten years ago, nobody would have thought that would happen, and certainly not after 9/11.

When I came into office, we had five billion dollar a year deficits. I may have raised spending, but today we have five billion dollar a year surpluses. And it's that kind of

investing in the future. No company would stop investing in the future to hike profits, at least no company that's going to be around for the long time.

It's very easy to do the politically expedient thing to do and cut back taxes for one group and send some money to another group where there's lot of votes. But we've tried to keep our expenses under control. We've tried to keep the total employment of the city under control.

And I think we've done a pretty good job at that, including prepaying a few billion dollars in debt service for the next couple of years and investing two-and-a-half billion dollars in a fund to take care of a fifty-billion-dollar liability this city has on health care going forward.

Nobody's ever - and not just in this city, incidentally - probably in every city - nobody has ever managed to try to fund liabilities where there's no photo op. I mean, elected officials try to only invest in things where the results will be delivered in that election cycle or while they are still in office.

And we have been working on a new water tunnel for the city for 50 years. I'm happy to report it will be finished in 2011, 2012. The digging is actually done now. They're lining it with cement. We went and put more money in it than the last five administrations combined.

You may sit here and say what could bring this city down? A water tunnel collapse literally could do that. You could have to close half the city. There's really no alternative if a water tunnel collapsed. And our water tunnels are 70, 80 years old and have never been inspected because they're afraid to turn the valves off. They're not sure they'd ever get them back on.

So we're building a new water tunnel, and I've said that just has to be a number one priority. I don't care about anything else. You cannot run the risk of the city having to close down.

And, incidentally, in doing all of this, this past year we actually did reduce taxes - real estate taxes about seven percent and some small business taxes have been reduced. Now, whether or not we can keep that going or not, I don't know. I certainly hope we can.

But the one thing you can't do is you can't let the services decline such that your tax base goes away. And so, when somebody says, how's the city doing, invariably, I talk about

crime first. It's a sad world where you talk about crime first, but the truth of the matter is if people aren't safe, they aren't going to stay in your city and you don't have a tax base to do what in my case was the priority that I campaigned on, fixing the school system.

We've gotten some great reforms from the teachers' and principals' union, and in return they've gotten a 43-percent raise in five years. But you have to have the money to be able to do that if you want to get the changes that you need to improve the school system, and I think we've probably done it right.

Ensuring the quality of services, the quality of life in this city really is crucial in today's global economy. I was thinking of this in London and in Paris, beautiful cities, great cities, exciting cities, vibrant cities, and they are the competitors. And we've got to think every day about how we keep ourselves growing and exciting and clean and safe.

It's easy to sit back and say, oh, they've got this problem, they've got that problem, but we've got our problems as well. And it's not a battle that will ever end. We are always going to have to work very hard.

With its customary insight, The Economist recently, and very astutely, published a special report on global financial centers that noted for many skilled professionals, who can pick up and choose where to work, it's really quality of life that matters a lot, and, I would argue, most.

Our strategy has been not to give tax incentives to businesses to come here or stay here. There are some certain as-of-right things, and we'll try to tailor those to help a particular business.

But generally, I would argue we should take our money, invest it in clean streets, safe streets, culture, parks, that sort of thing, and that is what's going to keep businesses here. Because businesses that depend on intellectual capital need to have a workforce that can take them forward. And I can just tell you my company never would have been anywhere near as successful if we had put it anywhere else.

And people that we hire around the world, a lot of them want the opportunity to eventually come to New York. That's what they're working up to. And so not trying to bribe companies, but you can think of it as bribing employees, makes a lot more sense to me than doing the reverse.

And in the case of incentives for Goldman Sachs, I don't think we should have any apologies for it. It was a case right after 9/11 when people were worried about keeping companies here. And Goldman had a brand new building already built just across the river. You could just see it - a couple of football fields away. And so to keep them in the city really sent a message to everybody.

But any of you who are thinking of building new buildings in the city and expect us to pony up a lot of money, forget about it. This is where you have to be, I would argue. This is where my company's staying. That's how much I believe this.

Anyways, whether it's financial services or biotech, competition for the most talented people is what makes it work. And it's Broadway. It's the museums. It's having your kids grow up in a cosmopolitan society. These are the things that make New York New York and let us keep a critical mass.

You know, New York City actually employs 500,000 people in industry. But if you look at the industries, they're specialized industries where it's really intellectual capital.

We have a garment industry, but it's not making 10 million dresses. It is making those dresses that Oscar de la Renta needs and has to have something changed at the last minute and has to have the ultimate in seamstressing. That's what we bring to the party.

We're going in the right direction. We can't take New York's appeal for granted. I mentioned Paris and London, where I was in the last two days, but you can add Shanghai or Tokyo or Singapore. Or some other big cities - Buenos Aires and San Paolo have a lot of potential and are getting there. And there are cities all over the world that want to have our business.

Livability is the key. Our crime rate has come down 25 percent in the last five years. This year, if God is with us, we have three months left to go, a quarter of the year, but we will set a new low, record low in murders, and not by a little. We're going to set a record low by a lot, at the same time the murder rate is going up elsewhere in the country and around the world.

And so we must be doing something right. But when you decide where you want to live, you will take a look at New York and say, hey, it's safe there.

When I came into office, we couldn't fill vacancies with

certified teachers. Today, we have roughly 50,000 certified teachers from around the country applying to teach in the New York City public school system.

And there are two reasons. One, they want to be with a system that's changing and going in the right direction. Everybody wants to be with a growing organization that's really at the cutting edge and doing great things, and particularly teachers who can feel that they're going to change the world and that the product of their work goes on for generations, and it really does.

But the other thing is their parents never wanted them to come here because, you know, New York wasn't safe and they were going to be sent off to some school in a place that the parents had heard was a euphemism for crime and drugs. And today the parents don't feel that way. They don't stop them and, in some cases, they encourage them to come here.

The week ending September 23rd, for example, New York City had two homicides. Now, I can't tell you two is the standard every week, but we are running 75 homicides lower than last year and 65 lower than the year before. And it's a very big deal when the homicide rate is going up throughout the country.

We have a lot more to do. We're not satisfied with that rate. But making the city safer, making it cleaner, those are the kinds of things that city government has to do.

We just started a program you might be interested in - this week, actually, was the first week they were out in force - called our Scout Program. What it is, is 15 mobile inspectors. They're on three-wheeled tricycles, the covered scooters you've seen the cops using. And they are going to drive every single street in New York City once a month.

And they have GPS technology to report where they are, so we make sure we go down every street, and they have a BlackBerry with a special program that lets them report what they find. When they see a pothole or graffiti or a street sign or something where the city should be doing a job, we're not waiting for you to call 311 any more. These guys just hit a button and it automatically goes through the 311 software to report to the Department of Transportation, let's say, that there's a pothole right there.

And within six months, all of that will be online in real time so that you'll be able to see in your neighborhood whether

or not a pothole has been reported, and you can track how long it takes for city government to fix it.

One of the things about government has been nobody ever wants to be held accountable and responsible. I am adamant that we will leave office with systems in place where you can make sure that we've been doing a good job and our successors do a good job.

And if you have a pothole in your neighborhood and they're not fixing it, I would suggest you call your city councilman or the mayor or whomever and make a fuss. But letting people know where you can, where there's a problem before they need to, before it gets worse and making sure that the city government is responsive is something we're really working on.

We're also working on public health issues. The smoking ban is the most obvious one. I was in Paris, where the mayor still smokes, but he assures me he is stopping. Who would have thought in France, in, I think it's February, there'll be no smoking in any bar or restaurant any more? England, Italy, Ireland, Wales, Germany, no smoking. Who would have thought? We started it here. In all fairness, California did some of it before we did. But New York is such a bellwether. If we do it, the rest of the world pays attention and follows it.

Trans fats. Everybody thought I was crazy. You cannot buy packaged goods with them, I don't think - although the press will now rush out to the store and find one - but basically all manufacturers have stopped using trans fats. All restaurants that couldn't convert, almost all of them have converted.

So, you know, you can do things. And I'm happy to say that life expectancy in New York City is now greater than it is in the country as a whole. That's the first time since before World War II that's taken place. And, arguably, the first priority that city government has is to keep you alive. And this is one of the ways to do it.

Anyways, I talked about schools. Joel Klein and Dennis Walcott and all the people that are working the schools are really doing some amazing things. This year is really a seminal moment in the development of our public school system. For the first time, this year, starting this past month, all schools in New York City are being funded per capita evenly.

You'd say, what? We didn't do that before? We funded the

poor schools in the minority neighborhoods two or three thousands dollars in many - not every case, but not most cases - two or three thousand dollars less than we funded the wealthy schools. Why?

Why did we send less money to those schools where the pedagogical problems arguably are more challenging? It's because of the way the political process works. People in the wealthy neighborhoods know how to call and scream, and so they send new programs and that sort of thing which just funnels to them.

This year, every school gets the same amount of money per capita. There are some small adjustments for special ed and for English language learners and some federal requirements, but fundamentally, for the first time, every school gets the same amount of money per capita. And the principals can decide what to do with it.

If a senior teacher leaves, the principal can decide if he or she wants two junior teachers that, because of the salary structure which rewards seniority, may cost the same amount as one senior teacher.

On the other hand, the senior teacher has a lot of experience. But we're leaving it up to the principal to decide what to do, to spend the money on teachers, spend the money on books or laboratory, things like that.

The biggest change, which will create the most stink, I think, but that I think is terribly important, is that this month we are sending out a report card - not to the kids on their performance, although we certainly do that - but we are sending a report card on the schools out to every parent so that you will know whether the school that your child goes to is a good school or not.

Some schools will be graded F. Those are schools we're going to close. Some schools will be graded A. Some schools B, C, D. You know, there'll be a normal distribution around C, C-plus, something like that.

But, you know, you talk to a parent and you say, "How is the school your kid goes to?" "Oh, the school's great" "How do you know that?" "The teacher told me." "But your kid can't read. Your kid can't add two and two. How can it be a good school?" Well, the parents - how would parents know, particularly parents who are working for a living and may not have a great education, may not even have English as their primary language at home? For the first time, they're going to know.

And will they scream? I hope so. That's what you have to have. You have to have the public demanding good services if you expect government to provide them. If the public walks away from their responsibility to demand good services, then government's not going to bother. They're just not going to do it.

Why should they take the pain and raise taxes to pay for it or have to be held accountable if they start a program and it doesn't work?

In any case, the school system is getting better, and we are making the kind of investments - 13-odd billion dollars in new schools - that we have to.

There are lots of people here from leading firms, financial services, real estate sector, fashion design, medical research and higher education and other growing fields, and we have a slide to show that.

This is an ecosystem, as we call it, because all of these businesses do depend on one another. We are more susceptible to downturns, more dependent on Wall Street than others. But we've worked very hard to diversify our economy in the last five years so we don't get in trouble the way we did after the end of the Internet bubble.

You know, people talk about 9/11 being a disaster, and it was terrible - the tragedy obviously was terrible - but in economic terms, the market went down and the market came back a little bit. The real decline in the economy in New York started with the end of the Internet bubble because we are so dependent on that one industry.

And today, I'm happy to say, all these industries are booming. There's record tourism. You want to make a movie in this city, good luck. There are three big studios, all of whom are working on expansions, but you can't get a sound stage for the next year and a half. Business has moved back here from California, back from Canada, back from Eastern Europe.

We have programs where when you talk to a director and a producer, they'll tell you they like to film in New York. Yes, it's unionized, but the unions here work with them.

And that's the other secret. New York has a workforce that is cooperative and phenomenally competent, and the ethic here is to work harder than it is in lots of other places. And so they may have to pay more for their

employees, but most producers and directors will tell you they get a lot more, and they would rather film here.

The city has some programs to help in advertising, and there's a state and city tax credit that our partners in the state really have made a big difference, and the tax credits help.

Health care is, obviously, one of the most growing industries anyplace. We will have more people working in health care than every other industry put together if we continue on the trend. Obviously, that can't happen, but we're going in that direction.

Now, we have another slide, which talks about growth. Here you see with time where we think the growing industries are.

We unveiled what we call "PlaNYC," to deal with all of the new people that are going to come here between now and the year 2030. And Dan Doctoroff is really the genius behind all of this.

I told Robert Caro that he should write a book about Doctoroff, because I think Doctoroff's impact on this city will be greater than Robert Moses. And Robert Moses in the end did things in a very easy time. If Robert Moses wanted to bulldoze a neighborhood, he just sent in the bulldozers. That's not the world we live in. Dan has had to work in a collaborative sense and bring people aboard, and he really has made a very big difference.

But you can see what's going to happen, too, in different segments of our industries. And we've just got to make sure that we attract the people that can fill these jobs. Otherwise the companies won't stay here, and that's - immigration. We love immigrants. Please, if you're an immigrant, come here.

That's the future of this country. That's the future of our city, and if others don't see it that way, sadly, I think that they're mistaken, and we're not going to have as much of a future as we would.

And if you take a look in the 25 years between 1980 and '05, our economy grew by some 230 thousand jobs. Between '05 and 2030, we expect adding three times that number. That means more transportation, more infrastructure, roads, sewers, water, electricity. We really have to figure out some ways to use our resources more

efficiently. That gets us into all of the greening that helps the environment.

I was with Bill Clinton recently at the Clinton Global Initiative. We had a panel, and talked about the future and the environment.

Some of the people were trying to pitch all of these things as an environmental thing, and both Bill and I said, you're missing the point. Short-term, these are economic things.

We are strangling ourselves with too much traffic on the roads. We are polluting the air that our kids today are breathing. In some sections of this city, our kids go to the hospital four times the national rate with asthma problems. We have to do something to use the scarce resources we have, whether they are roads or pipes or generation capacity.

And I think that a lot of things that you'll see in PlaNYC - there are 127 things - some we need state approval on and hopefully we'll get that - but those that the city can do on its own, I am adamant that we will have every single one of them at least started before we leave office. And we are really going in the right direction.

Let me just talk for a second about tourism — a 25 billion-dollar annual impact on our city, supports 370,000 jobs. These are jobs, incidentally, for the newest New Yorkers, people that come to this city, people that come to America.

Traditionally when you come here, you take the low-paying jobs that nobody else will do. Why? Because your kids are going to get a chance to go to school, and when your kids go to school, they'll move up the ladder. It's the great American dream.

I was out in Brooklyn - we had a tornado, believe it or not. And I stopped by this Honda dealer where they lost part of the roof, and the guy says to me, "you know my father." Who is his father? His father was Sal the sole man, soles as in the bottom of your shoes. He had a shoeshine, shoe repair place right around the corner from City Hall. I used to go to get my soles replaced there.

And the reason I remember - I had long conversations with the father - the father's grandson, this guy, the Honda dealer's son, went to Princeton, and when he got into Princeton I had my daughter, who's a Princeton graduate, take him out to lunch. I'm told the kid got drafted by the Texas Rangers - he's a baseball player - but he did very well at Princeton.

Think about it. In one or two generations, here is this guy who comes as an immigrant from Italy, starts a store, works 24 hours a day, seven days a week so his son can have a career. And his son is a college graduate, owns two or three Honda dealerships. And the grandson is an Ivy League graduate. That didn't happen before, and it doesn't happen in other countries. That's one of the great strengths of our city.

We have an ambitious strategy to keep people coming here. I've tried to work with our Departments of State and Homeland Security to make sure that we are welcoming at the border. We have not done a great job there. People can't get into this country as smoothly as you'd like.

Nobody suggests it should be easy. We live in a dangerous world. We should be sure to check and try to keep terrorists out to the extent you can. But that doesn't mean you can't do it efficiently and with a sense of customer service.

And that's what we have to learn in government, and particularly in this country, that we're in competition and people can take their monies anywhere.

I was in Blackpool to give a talk the other day for the Conservative Party, which was nice enough to invite me. And there in Blackpool, they're struggling with six million fewer tourists than they've had in recent years. And there's a sign on a trolley station, Twenty two pounds to fly to the south of Spain. You know, there's competition everywhere and you have to keep making your product better.

In New York City our biotech industry is a very big deal. We've invested a lot of money. A lot of people are bringing money here. And the Bioscience Park down by Bellevue will make a big difference.

We're also making sure that our mass transit system grows. The city is actually, for the first time since the MTA was formed, with its own money, building a subway - to extend down the West Side. And the next great growth area of New York City will be the West Side of Manhattan.

Think of Canary Wharf, those of you who are familiar with London real estate. The Reichmans built Canary Wharf. The government had promised a subway line there, didn't deliver.

The Reichmans went bankrupt. Somebody bought it out of bankruptcy - Margaret Thatcher and John Major delivered

the Jubilee line - and they made a fortune. Today it is one of the great real estate developments in the world.

The same thing can happen on the West Side but we've got to get mass transit there because you can't go anywhere if you can't get there. It sounds simple, and we're working with the MTA.- we need them to help us a little bit - but fundamentally, this is a line the city is going to do with its own money. I think of all of the economic transit projects that we have ongoing, this will have the biggest payback.

Congestion pricing. I saw it work in London. Some people say it doesn't work. There are still traffic jams in London. Folks, at rush hour, I'm sorry, there are always going to be traffic jams. If you don't have traffic jams, you don't have an economy.

But there's no question that there are a lot fewer cars on the road. A lot more people are taking mass transit. What the British government did, or the city of London's government did, is they improved mass transit day one, and that was the story in the papers - another 350 buses on the street that day.

They have all sort of technology to control traffic lights, to address to the different traffic patterns, and when they have a jam, the computer will free up the jam by controlling the lights.

They've done a lot of things, and there's no reason why we cannot do it. Hopefully I'll be able to convince Albany to let us put in a congestion pricing plan, because we need to raise money to improve mass transit and at the same time have a disincentive for people to drive.

And I can tell you this. Like smoking, where bar owners and restaurants owners uniformly - almost uniformly - were opposed to the smoking ban, today, almost uniformly, not one would roll it back because their business got better.

The same thing has happened in London. The big stores, which were afraid people wouldn't come because of a congestion pricing charge, all are doing better, because you can now get to the store.

And that's the secret of congestion pricing. It will help us with the environment, but it is critical for us to end a gridlock that is getting worse every day.

Just think about your schedules if you have to move around town and have two or three different appointments. You have to leave an hour between them, even if they're only 20 blocks away, because you're never sure you can get there. You can't run a business that way. You can't run a city that way.

Deliveries. In everything you buy, the cost of deliveries make those products higher priced than they would otherwise be. And the delivery trucks are belching pollution into the air but the drivers can't get from here to there.

So we have to keep on making sure that the infrastructure we have - and we're not going to have any more roads - gets maintained and make it better.

Let me leave you with one other thought. Security. Everybody wants security. What I found in London was that the people of London, particularly after the subway bombing that killed 52 people about three years ago, look on security measures as in their interest as opposed to something that is trying to take away their privacy.

Every subway car has a few cameras running all the time. Every bus has a few cameras inside all the time. And people in London feel safer because of it.

Now, we have to go in that direction. We live in a dangerous world. We have to make sure that we keep the terrorists out, whether those terrorists are street criminals or terrorists who are here to destroy our economy with big bombs or anything else. And you're going to see more and more press because the technology is now letting us do things that we couldn't before.

I went to visit the headquarters in the city of London and I watched a screen as a car came in view. The bells rang because it was a car that wasn't registered, which is typically somebody that if you open the boot of the car, the cops swear you'll find guns and drugs.

And they followed that car, and lo and behold, it stopped. It was a minivan. They opened the side door. They grabbed a motorcycle off the street, threw it in and closed the door, jumped back in and drove off. And then you see them catching the guy because they knew which way he went and they could follow the car.

We just have to do something here to make this city safer. Maybe it is an infringement a little bit on your personal rights, but we don't need a disaster here the way they had

elsewhere. At least we don't need another one.

Nine-eleven was a terrible tragedy to this city. But even smaller terrorist acts, we've just got to prevent ourselves.

So we are going to work on that. I'm happy to say companies like Goldman and JPMorgan Chase, you know, they're all building new things, new buildings here in the city, downtown in particular.

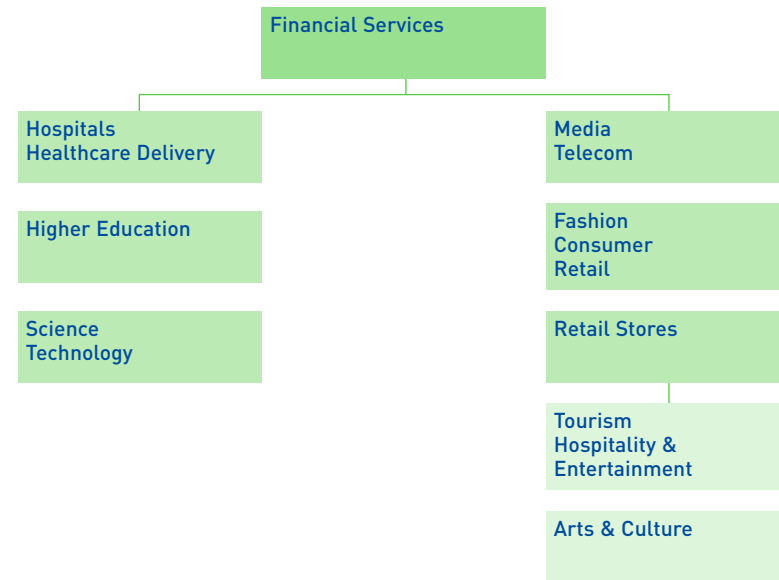
But the city's going in the right direction. We are going to constantly have to make it better. That's my message to you. I like the hand that New York has to play, but you should never sell short some of these other cities, particularly great cities like London. London is a wonderful second city. I have a small apartment there and a bigger one here, so I'm voting with my pocketbook and my feet.

Let me give you a plug — one more thing. I've always said this, and I really believe this. When I finish in office, I will make sure that the one thing I do every week is read The Economist cover to cover. And I think if you did that, you'd probably know as much as you ever need to know about this world.

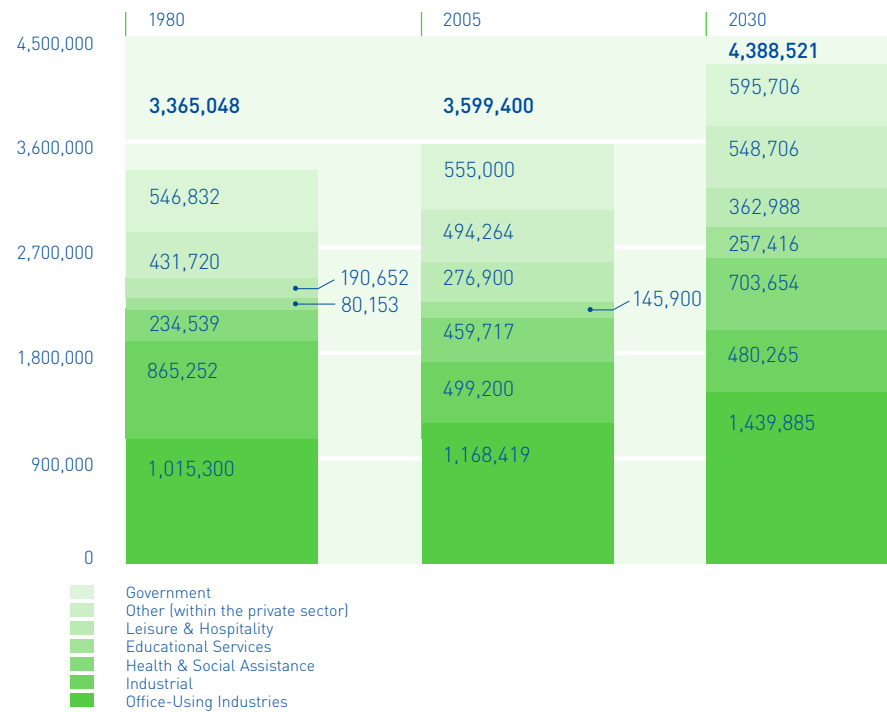
Congratulations. You guys have a phenomenal magazine. It is just the best. Congratulations. And thank you for having me.

**NYC functions as a dynamic business ecosystem**

Clusters benefits through co-location with other clusters, and by increasing City's value as a place to be.



**New York City Projected Employment**  
Total Employment



# Session 1

## New York to 2030: A Business and Economic Outlook

*Speakers*

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**Patrick J. Foye**

Chairman, Downstate,  
Empire State Development Corporation

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**Kathryn S. Wylde**

President and Chief Executive Officer,  
The Partnership for New York City

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**Robert C. Lieber**

President, New York City Economic  
Development Corporation

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*Moderator*

**Matthew Bishop**

U.S. Business Editor, The Economist

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- What should the mid-21st century New York City look like?
- How will demographics, population growth and migration trends affect New York's sustainability?
- How prepared is New York City in addressing the risks and meeting future challenges?
- What do the coming changes mean for businesses targeting NYC as a market and as a headquarters base in the global marketplace?



**Patrick J. Foye**  
Chairman,  
Downstate, Empire State  
Development Corporation

New York City is a leader in intellectual capital and idea generation, and these factors will continue to drive the city's development for the next 25 years. It must, however, invest in its infrastructure and continue to diversify its economy to maintain its competitive edge and attract international businesses. Globalization, free trade and the absence of barriers are fundamental to the continued success of New York City.

Ms. Wylde points out that the New York metro area is a \$900 billion economy that can dodge the economic doldrums witnessed in other parts of the U.S. However, this ability to survive depends on having the right public policies and strategic vision in place. While the city currently has the highest bond rating in its history, policy makers should not become complacent about New York City's continued growth trajectory. The strategic vision for the city includes upgrading its infrastructure, providing first-class public education and affordable residential and commercial property, diversifying its economy and maintaining an "open-door" policy to international talent.

#### **Infrastructure**

Mr. Foye says that continuing to make large-scale infrastructure investments is essential to New York City's development prospects. Its largest current projects, the water tunnel and sewer system upgrades, have the city and state working together with federal support. These initiatives will require billions of dollars of investment and will last not only through the entirety of the current administration but also for two administrations thereafter. There is tremendous opportunity to set up long-term public-private partnerships, especially with the big institutional investors, due to the financial magnitude of such projects and the city's budgetary pressures.

#### **Education**

Universal access to education is a principle that is prominent in New York City public policy. Providing first-generation children of immigrants with access to a good education is paramount in helping them reach their potential and contribute to the economy, adds Mr. Foye.

Mayoral control over schools has led to academic accountability and achievement. Yet the city can continue to develop its strengths in the field of independent research. The city is providing "incubator" laboratory space to attract intellectual leaders in the field of bioscience and to lure venture capital funds for creating new businesses in the life-sciences industry.



**Kathryn S. Wylde**  
President and Chief  
Executive Officer,  
The Partnership for  
New York City

#### **Affordable living**

New York City needs to ensure that the costs of living and doing business remain competitive, so that people will be attracted to work in the city, notes Mr. Foye. More needs to be done to provide amenities that will appeal to younger families. One initiative in urban planning is the mayor's plan to ensure that every New Yorker lives within 10 minutes of a park by 2030.

#### **Economic diversification**

Twenty percent of New York City's revenues come from Wall Street, and the weak U.S. dollar means that New York City will continue to attract foreign direct investment. However there are concerns that in the longer term, the city needs to diversify its economy and become less reliant on the financial services industry. There are some signs of restoring the balance. For example, more than 80 percent of the 150,000 jobs created in New York City in the past four years came from outside the financial services sector.

#### **Housing**

Mr. Lieber says that the population of New York City shrank by one million people in the 1970s and 1980s. In the following decades, it has regained its numbers, and is expected to grow by another million by 2025. This population expansion will congest existing neighborhoods and create a need for new residential areas. One such project is the Hudson Yards development on the west side of Manhattan between 30th Street and 42nd Street. To encourage New Yorkers to relocate, the development will feature numerous amenities including park space, schools, retail stores and a transportation infrastructure to connect Hudson Yards to the rest of Manhattan and the other boroughs.

Another initiative is to advocate the benefits of relocating out of New York City to Long Island. The western part of the island has an established manufacturing industry, efficient public transportation and is in close proximity to both the airport and midtown Manhattan. Rental rates for commercial property on Long Island can be found for as little as \$30 to \$40 per square foot compared with \$225 per square foot in midtown Manhattan.

The nearby neighborhood of Jamaica, Queens, was recently transformed to create a new central district to attract businesses and residents from New York City. Rail transport connects JFK airport to Jamaica so that it can be another nexus for business people.

### Labor market

A significant challenge for New York City is that its political power is not in proportion with its economic power, notes Ms. Wylde. For example, many New York policy makers were disappointed that proposed legislation for allowing illegal foreign workers to earn their way into citizenship was not passed by the federal government.

Strict work visa restrictions also prevent many foreign students from remaining in the U.S. to make an economic contribution once they have completed their studies. One proposition is to make a significant increase in the number of visas offered and fees charged for those visas. The additional income that is generated could be reinvested to support training and education.



**Robert C. Lieber**  
President,  
New York City Economic  
Development Corporation

# Session 2

## The Future of New York's Financial Markets

*Speakers*

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**Robert Greifeld**

Chief Executive Officer, NASDAQ

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**Robert P. Kelly**

Chief Executive Officer,  
The Bank of New York Mellon Corporation

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*Moderator*

**Matthew Valencia**

Wall Street Editor, The Economist

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- The view from the New York Fed on NYC's continuance as a capital markets leader
- The rising challenge from both established and emerging-market financial centres: How can NYC keep its edge as a global leader?
- Sarbox and Regulatory FD: How should New York City respond? Can regulators manage the risks without killing innovation?
- How will the subprime crisis affect New York's financial markets and economy?

Every large financial institution feels it has to be represented in New York City. With a successful stock exchange, the city is home to the headquarters of six of the world's ten largest investment banks. New York City is in a highly competitive position, with sound financial institutions and a strong, supporting infrastructure.

However there are threats to New York City's global competitive edge, and monitoring and addressing these threats should be a top priority for the city, as well as for New York state and the federal government. London, for example, has taxation, regulatory and legal advantages over New York City.

### Taxation

Mr. Kelly says that New York City's high tax rate acts as a deterrent against companies moving to the city. It is not only losing jobs to other parts of the country (the city has the highest tax rate in the U.S. at 46 percent), but it is also far less competitive in this area than other global cities such as London, which has a corporate tax rate of 30 percent. There are also plans in the UK to lower the tax rate to 28 percent. The U.S. national corporate tax rate of 39.3 percent is second only to Japan's rate of 39.5 percent.

### Legislation and regulation

The manner in which financial regulators interact with the private sector is another area where London has a distinct advantage over New York City. Once known for being slow to act, the Securities and Exchange Commission (SEC) has become increasingly aggressive in the way that it pursues suspected wrongdoing. Even its own employees view it as an enforcement agency rather than a regulatory body. One key area of concern is how an investigation may take on a life of its own if the SEC does not close the case. A company can find its reputation under threat merely because the file was never closed.

In contrast, the UK's Financial Services Authority (FSA) "prefers to nudge rather than bully" according to Mr. Valencia. Moreover, it is widely considered to be better at analyzing the potential costs and benefits of proposed regulatory changes. One explanation may be because the FSA employs a higher proportion of economists to lawyers.

### Accounting standards and other regulations

While there is broad global understanding and an acceptance of the basic principles of Sarbanes-Oxley, firms are less comfortable with the execution of these requirements. In fact, the lack of clarity over how to



**Robert P. Kelly**  
Chief Executive Officer,  
The Bank of New York  
Mellon Corporation

execute Sarbanes-Oxley regulations has deterred companies from operating in the U.S., notes Mr. Greifeld. An international accounting standard is needed to provide guidance on such regulations.

### Financial markets of the future

Mr. Kelly envisions that in the future, there will be a global exchange integrating approximately 60 bourses worldwide. Among the exchanges, London and New York City will continue to be dominant.

### Automation

Mr. Greifeld points out that NASDAQ was the world's first automated market, a model that has since been followed by several other markets, such as the International Stock Exchange. This technical advance enables brokers to access up to 16 global markets on their computer screens. With immediate access to markets worldwide, companies realize they do not need to be physically located in the same place as investors. For this reason, so far in 2007, New York City's exchanges have lost \$900bn in market capitalization as foreign companies decide they do not need a U.S. listing. While this is a challenge for New York City, it is not an indication that the city is becoming less competitive. It creates an opportunity for the city to reconsider how it creates value and identify the segments where it can compete most effectively.

### Emerging markets

Having enjoyed 75 years of financial dominance, New York City and other top financial centers are witnessing a significant shift in investment sources and destinations, notes Mr. Kelly. The burgeoning powers of China, India, Brazil and Russia will create new consumer and investor markets that will transform the global economy.

Twenty years ago, U.S. banks and investment firms made virtually all of their income from domestic sources. Today, on average, the city's financial institutions have 20 percent of their revenues coming from outside the U.S., with some firms obtaining as much as half of their revenues from international sources. Since both Asia and Europe are growing faster than the U.S. domestic market, this trend is set to continue. Mr. Kelly notes that while only 15 percent of Mellon's 2006 revenues came from outside the U.S., this figure had reached 26 percent by June 2007 when it became The BNY Mellon Corporation and is expected to top 30 percent by the end of the year.



**Robert Greifeld**  
Chief Executive Officer,  
NASDAQ

A photograph of Raymond W. Kelly, Police Commissioner of New York City, speaking at a podium. He is wearing a dark suit, a white shirt, and a patterned tie. The background is slightly blurred, showing what appears to be a banner for the New York City Police Department. The image has a blue tint.

# Keynote Speech of Raymond W. Kelly

**Raymond W. Kelly**  
Police Commissioner,  
City of New York

Good afternoon.

I am not only a reader of The Economist and a subscriber, I also listen to its podcasts. So I'm with it!

I want to begin by congratulating The Economist on its foresight. In the aftermath of 9/11, the New York Times and virtually everyone else predicted that that New York City was going to hell in a hand basket. Crime would certainly go up, they said. And another terrorist attack? The word you heard most was "Inevitable." It was "When," not "If."

And the public believed what it was reading. For months after 9/11, I could drive from my residence in Battery Park City to Times Square in a few minutes. Why? There was no traffic. Fear kept people out of town.

Only The Economist was bullish on New York. From the outset, you predicted New York would rebound. And it did. That's primarily because crime has been driven down and terrorists have been kept at bay.

The traffic is back more than ever. Commerce is back. Real Estate is sky high. In my judgment that's due to one thing: New York City is safe. People feel safe.

Housing prices are high even in what once were the most dangerous neighborhoods in the city. When crime goes down the rent goes up. But you would never know it from reading most papers back then.

On November 11th, two months after the attacks, the New York Times feared, quote, "A return to the days of dirtier streets, a rise in crime, and a plummet in the quality of life so sharp that people flee."

A month later Newsday wrote: "The factors that impact on crime today suggest that crime in fact is going to increase. The question is not whether it will increase but by how much."

About the same time the Daily News raised the spectre of: "A return to the bad old days when murder and muggings and assorted mayhem seemed part of daily life here."

Instead, just the opposite happened. Crime in New York City fell each and every year after September 11th. And contrary to the rest of the country, it is down even further this year.

In 1990, there were 2245 homicides in New York. Each of the past five years, the city has recorded fewer than 600

murders annually. As the mayor said this morning this year we're on track for another record low. Before 2002, there was no year in which there had been fewer than 600 murders since 1963.

Most importantly, there have been no successful terrorist attacks on the city since 9/11, though it certainly hasn't been for Al-Qaeda's lack of trying.

I want to speak you today about how the police department has been working on these twin fronts. About how we have continued to reduce crime while building a formidable deterrent to terror. And about some of the major challenges we face, not the least of which is the recruitment of a steady stream of new, qualified police officers. Then, I want to update you on the terrorist threat, and how we plan to contend with a resurgent Al-Qaeda.

First, it's worth mentioning that the fiscal constraints imposed on the city after 9/11 had their impact on the police department as well. Namely, in reducing our authorized headcount as the city's economy recovered. Combined with the normal pace of retirements, this has required us to combat both crime and terror with about 4000 to 5000 fewer officers than we had previously.

As a result, we learned to apply our resources more effectively through initiatives like Operation Impact. Under Operation Impact, we have assigned two-thirds of every graduating class from the police academy to specific areas of the city that have experienced a spike in serious crime. Prior to being deployed, recruits train for 6 months in the academy.

The heightened police visibility and activity in these areas has yielded tremendous results. Operation Impact is largely responsible for the fact that today, crime in New York is 26% lower than it was in 2001.

The success behind Operation Impact is clear. It is the constant recruitment of highly qualified and motivated police officers to fight crime. But now this program is in jeopardy as a result of an arbitrator's decision to lower the starting salary for New York City police officers from \$40,000 to \$25,100 in the current police contract. This, in the most expensive city in America.

That decision has done significant harm to our recruitment efforts. I ask the business leaders here today, who are you hiring for \$25,100 a year? Certainly not those who will determine the success of your organization, or who will

shoulder crucial responsibilities.

As it stands now, we are asking our new officers to defend a city they can't afford to inhabit. Ironically, it is a city in which both real estate prices and business confidence continue to skyrocket because of the public's faith in security.

Of course it's not just crime-fighting we're concerned about. We need police officers who can support the long-term effort against terrorism. We need boots on the ground to protect the critical assets and infrastructure of the city.

The threat from global terrorism is very much alive and more lethal than ever. After suffering serious damage following 9/11, Al-Qaeda has been reconstituting itself.

With regard to Al-Qaeda central, we know that both Osama bin Laden and his deputy, Ayman Zawahiri, are still alive. Many of their lieutenants who were killed or captured after 9/11 have been replaced.

The leadership has been building alliances at an increasing rate with like-minded groups from across the Persian Gulf, The Horn of Africa, Europe, and the Middle East.

Thanks to an arrangement reached between the Pakistani government and tribal leaders in September 2006, the area known as North Waziristan has become a center for Al-Qaeda activities. This sanctuary now supports a network of small, mobile training camps that are host to a steady flow of volunteers eager to join in the terrorist campaign against the west.

Probably the best evidence of Al-Qaeda's resiliency is its ability to produce and distribute video tapes by Zawahiri and others, sometimes within hours of an international event they want to comment on.

Most of all, we are concerned about the convergence of a strengthened Al-Qaeda central with the rise of what we refer to as "The homegrown threat". In fact, most terrorist operations since 9/11 have been planned and carried out by individuals radicalized in the west and dedicated to attacks in their home or adopted country. They are motivated by Al-Qaeda's ideology, which they can access via the internet, or through direct contacts with the group.

Some individuals operate as "lone wolves," acting on their own. Others merge into networks, or cells. Overseas we have seen this occur in Madrid in March, 2004, in the Dutch

Hofstad group that killed Theo Van Gogh in Amsterdam in 2004, in the London underground bombers in July 2005, and the Pandemis group that was targeting sites in Australia for attack.

In North America, we have witnessed the Herald Square, 34th Street station plot, disrupted by the New York City Police Department's intelligence division in August 2004. The Toronto 19 who plotted to kill the Canadian prime minister and attack locations in Toronto and Ottawa.

The Fort Dix group from New Jersey that was taken down early this year. The so-called Lackawanna Six in upstate New York. And the conspiracy to destroy John F. Kennedy airport.

The police department is taking this threat very seriously and committing our resources to understanding it more thoroughly. Just last month, we published a lengthy report on homegrown terrorism. The report examines eleven real-world case studies of actual terrorist attacks or conspiracies that took place both abroad and in this country, and it analyzes the stages that the individuals went through on the path to radicalization. You can access the report on the NYPD website.

This is just one of the ways the police department is doing business very differently after September 11th.

The realization that we faced a protracted threat from Al-Qaeda led us to create a new counterterrorism bureau in 2002, the first of its kind in the nation. We dedicated over 1000 police officers to its activities. We also restructured our intelligence division. We appointed leaders with exceptional credentials to oversee these 2 new functions.

Deputy commissioner for counter-terrorism Richard Falkenrath is the former deputy assistant to the president of the United States for Homeland Security. He also directed U.S. policy on missile defense as part of President Bush's National Security Council staff.

Before joining the police department, David Cohen rose to become the CIA's director of operations and its deputy director of intelligence over a 35-year career. He has done remarkable work transforming our intelligence division to meet the increased demands of security.

That includes placing detectives and senior officers in the police agencies of 10 international cities where they gather terrorist-related information closer to the source.

Here at home, detectives assigned to Operation Nexus fan out across the city every day. They visit chemical plants, storage facilities, parking garages, and dozens of other businesses whose services might unwittingly be used in a terrorist attack. We ask the owners and employees of these firms to report any suspicious purchases or behavior.

We have also established a network of some 3000 members of the private security industry under our NYPD shield program. These individuals act as additional eyes and ears for us at corporations and institutions across the city.

We have a secure website they can access for regular threat updates and information. And we host periodic briefings for shield members at police headquarters.

Those briefings include presentations by our analyst corps on various aspects of the terrorist threat. We went out and hired a group of very bright and very dedicated analysts from top graduate schools such as the Kennedy School at Harvard; Columbia; Fletcher; and the London School of Economics. Many have prior experience in the intelligence community. One outstanding example of their work is the radicalization report I mentioned.

We also employ a team of cyber analysts to monitor Jihadist chat rooms around the clock for any indication of an attack. This is a group that includes fluent speakers of Arabic, Farsi, Pashto, and Urdu. We now have 705 speakers of 46 different languages in our growing foreign language corps — among them 63 speakers of Arabic, 20 of whom have been certified as master linguists.

Under Operation Atlas, we have strengthened our patrols of subways, symbolic landmarks, infrastructure, and high-value economic targets we know Al-Qaeda covets.

In addition to the homegrown plots I mentioned, there have been conspiracies directed by Al-Qaeda against the Brooklyn Bridge, the New York Stock Exchange and major financial institutions. There was also a plan to release cyanide gas in the subway system, and a scheme by Al-Qaeda to smuggle weapons into the city through sea containers. Last year, we learned of a cell centered in Lebanon that was planning to blow up subway tunnels running from New Jersey and the retaining wall at Ground Zero in order to flood lower Manhattan.

The lesson for all of us is obvious. We can never let our guard down.

We are especially concerned about Al-Qaeda's goal to create a "spectacular" event that inflicts greater economic damage than September 11th. Nothing would accomplish that more than an attack on America's financial heart. For that reason, we keep the financial district under close, 24 hour watch. But the massive strategic importance of this area requires that more be done.

We have developed plans for a comprehensive hardening of the financial district under the lower Manhattan security initiative, or LMSI. I know Mayor Bloomberg mentioned this program earlier and I'd like to give you some more details.

We will announce shortly the location of a new command and control center for downtown. In addition, we will maintain a redundant command center in another part of the city. The coordination center will be situated in lower Manhattan, and will be accessible to the private security staff of major corporations. It will be the hub for a new model of security, one built on public-private sector partnership, and staffed by personnel from both sides.

We intend by the end of this year to be monitoring surveillance cameras at the first 17 of 76 locations throughout the financial district. Ultimately, we are planning to install 1000 cameras and acquire feeds from up to 2000 more cameras operated by our private partners. All of these images will be monitored in the coordination center.

We will also establish a web of electronic license plate readers at bridges, tunnels, and intersections, and mount them in patrol cars and on helicopters. In addition, we are planning to control access to the area with retractable barriers at major entry points into the district.

We will mesh new technologies with heightened vigilance on the part of our police officers and private security partners to spot potential warning signs in the making. That may be the person taking photos of building entrances and exits at different locations; the car or truck that lingers in one place for too long, or that circles the block repeatedly.

We can use our license plate readers to build more information about a suspicious vehicle. Is the driver someone we should be concerned about? Where else did he go in the area?

Based on what we observe, we'll assess whether or not we need that information. Maybe we'll find someone who has

gotten lost while making a delivery. Or maybe it's someone who is engaged in the surveillance for an attack. We'll be better equipped to spot those potential indicators that might give us cause for concern, and piece them together.

I also want to discuss Al-Qaeda's most important strategic objective, which is a mass casualty strike against the U.S. using nuclear or radiological weapons. This threat has been referred to in various radical Islamist chat rooms on the internet as the "American Hiroshima." We know that in the past, Al-Qaeda has actively pursued nuclear weapons and materials and the religious justification to use them.

For the last year, the police department has been in close consultation with the Department of Homeland Security to develop an advanced system that will strengthen the city—and the region's—defense against this threat. This program, which we call "Securing the Cities," involves setting up a network of radiation alarms at port terminals and select bridges, tunnels, and roadways leading into New York. The goal is to detect a nuclear or radiological threat early, well before it reaches city limits.

We are working collaboratively not only with DHS, but with a coalition of stakeholders at the federal, state and local levels. To give you an idea, members of the project's executive committee include the Commissioner of the New York City Fire Department, the commissioners of the Nassau and Suffolk county police, the executive directors of the Port Authority and the MTA, and the assistant director in charge of the FBI's New York office, among others.

What we are doing with this initiative is both piloting new technology and testing a regional approach to its implementation to include not just New York City but jurisdictions far beyond the five boroughs.

At its core is a network of advanced detection systems, developed by DHS, using radiation sensors with state-of-the-art discrimination features developed for a dense urban environment. The total cost of the project is \$40 million dollars. We are hoping for the funding to be approved by the U.S. Congress and the Administration.

In the meantime, we've established all of the necessary agreements with our regional partners. We've conducted numerous drills. And we've distributed a limited amount of detection equipment.

I can't emphasize enough the importance of this program. The securing the cities program represents our best, last defense to keep a nuclear or dirty bomb from being

detonated in New York City. It depends most of all on an effective, regional architecture for security.

The same is true of Operation Sentry. Under this initiative, the NYPD's intelligence division has forged an alliance of more than 20 police departments up and down the Northeast corridor, from Baltimore to Buffalo.

We know the planning and logistics for the next potential attack may very well take place outside the city, as they did in the London bombings of July 2005. In that case, the homegrown cell that carried out the attacks conspired in Leeds, 180 miles north of London. And there are other examples. For this reason, we are training local partners to help us spot the early warning signs of an attack, and to defeat any plots in the making.

We are doing all of these things and more because there is every indication terrorism will be with us for a very long time to come. Frankly, the public has to come to terms with that reality.

In its article predicting the city's comeback, The Economist alluded to this historical fact. New York had survived past attacks, it said, and would overcome this one too, its worst.

But looking ahead, we can't rely alone on that resiliency. We've come too far to go back to where we were just six years ago. There's too much at stake.

I know you've heard a lot of excellent recommendations today on what the city needs to do to remain competitive. And you'll hear many more during the remainder of this conference. But more than anything else New York's status as the world's financial capital rests on its security. This must remain our single greatest priority, both now and for many years to come.

## Session 3

# Building New York City's Potential: Critical Resources and Infrastructure for Sustainability

*Speakers*

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**Mary Ann Tighe**

Chief Executive Officer, New York Tri-State Region,  
CB Richard Ellis

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**Anthony R. Coscia**

Chairman, Port Authority of New York and New Jersey

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**Stephen M. Ross**

Chairman and Chief Executive Officer,  
The Related Companies

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*Moderator*

**Vijay Vaitheeswaran**

Correspondent, The Economist

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- Who are the corporate leaders in the drive for a sustainable environment? How are they contributing and taking responsibility?
- What are the critical factors that will define success for urban and commercial environments in this 21st century?
- MaintaiNYC: The government plan and how it will impact NY business now and in future
- Public-private partnerships: What are the examples and success stories for NYC? What are the future opportunities?



**Mary Ann Tighe**  
Chief Executive Officer,  
New York Tri-State Region,  
CB Richard Ellis

As a leading global financial center, New York City has historically attracted the world's best minds. This is partly due to the city's energy, diversity and uniqueness, but also because it offers a world-class lifestyle. Its vibrant street life, close proximity to water and easy commute to second homes make New York a highly popular place to live and work. However, there is a tendency towards complacency that New York must resist in order to maintain its competitive position through the 21st century. For example, New York City is faced with some immediate challenges, notably in the areas of infrastructure and real estate where there are pressing needs for investment and modernization.

#### Infrastructure

Mr. Coscia says that the United States' underinvestment in infrastructure is significantly contributing to its carbon emissions. China spends 9 percent of its GDP on infrastructure and India spends 3.5 percent, while the U.S. spends less than 1 percent. Although these countries are currently undeveloped and need high levels of investment, the U.S. will soon find its own infrastructure outdated and insufficient by comparison. In particular, New York City has a severe congestion problem with 240,000 people, for example, using one transit system—the Port Authority Trans-Hudson (Path)—to commute to and from the city every day. Transit delays cost approximately \$13bn a year. The transit system requires a multibillion dollar overhaul that can also create opportunities for private sector investment.

In December 2006, the New York Port Authority approved a \$2bn plan to encourage commuters to use public transport in order to double the number of people moving in and out of the city.

#### Real Estate

Ms. Tighe notes that when it opened in 2001, 4 Times Square became the first New York City building to include elements of sustainability. Green awareness in real estate development and among tenants has become more popular as a concept within the past year. Every building under construction now considers if it should be silver- or gold-rated for sustainability. Construction costs have fallen and green buildings cost 30 percent less to operate, yet green certified buildings command 10 percent more rent. One hedge fund chose to pay \$15 to \$20 extra per square foot for platinum-rated premises.



**Anthony R. Coscia**  
Chairman,  
Port Authority of New York  
and New Jersey



**Stephen M. Ross**  
Chairman and  
Chief Executive Officer,  
The Related Companies

By 2010, 64 percent of office buildings in the city will be over 50 years old compared to 20 percent in the rest of the country. This is a critical issue that New York City must address and public-private partnerships may prove a successful way of raising the capital for large-scale infrastructure upgrades.

#### Urban regeneration

Mr. Ross points out that New York City's real estate market is booming and developers are taking a forward-looking approach to design a cityscape that will help fuel the city's growth for the next 25 years. Some of the most significant initiatives are as follows:

- The redevelopment of over 2,500 million square feet of commercial space in Manhattan, from Midtown to the West Side, including 20,000 residential units
- The construction of over 5,500 retail units in the neighborhood of West Chelsea. Sites previously occupied by low income businesses are being transformed into thriving neighborhoods with art galleries and restaurants. To serve this growing community, a transportation infrastructure is scheduled to be completed by 2012.
- Another 5,000 units of affordable housing are being built along the East River. This development will serve as a template for low-cost living elsewhere in the city.
- Major transit hub Penn Station is having a complete overhaul with the addition of a new arena for Madison Square Garden.
- In Manhattan, over 16 acres of prime property is being developed adding 10m square feet of office space and 1m square feet of retail space.

The real estate industry is aware that its continued success is fully dependent on the economic success of city itself. For New York City to keep growing, New Yorkers must be able to afford to live there.

# Session 4

## New York City: A Capital for Innovation and Growth Industries?

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### *Speakers*

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#### **Nancy Peretsman**

Managing Director, Allen & Company LLC

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#### **Jonathan Bowles**

Director, The Center for an Urban Future

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#### **Jerry Hultin**

President, Polytechnic University

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### *Moderator*

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#### **Garrick Utley**

President, The Levin Institute

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- New York is a powerhouse of research in the bio sciences and medicine, but is the total equal to the sum of its parts? Are New York's strengths in science and technology being harnessed to their full potential?
- New York has been the capital of old media, but will it retain the lead in innovation as we move further into a new media age?
- What are the new innovative technologies and tech companies in New York? Where are the new opportunities?



**Nancy Peretsman**  
Managing Director,  
Allen & Company LLC

New York City is not currently known as a center for science and innovative technology although it has the assets to be one. While New York is rich in science and research, this aspect of the city tends to fall in the shadow of its prominence as a financial and media center. There are only 44,000 IT jobs in the city compared to the 930,000 in Silicon Valley. One major problem is that academic and research institutions have been inventing and licensing their products but they have failed to successfully spin off their research into marketable products.

New York City's dependence on financial services puts it at risk, especially if there were to be a downturn in the industry. There is great potential for building a strong biotechnology industry. The city has world-renowned science and technology universities, as well as non-profit research centers that service the intellectual engine behind leading biotech companies. These centers have produced 13 Nobel Prize winners and, in terms of research output of U.S. universities, are second only to Cambridge, Massachusetts. Yet, New York City is home to far fewer biotech firms than the 423 in Silicon Valley and 327 in Boston.

New York City has room to improve in the way that it fosters entrepreneurs and start-ups. There is a clear trend for companies that start in New York City to leave—since 1996, only three of 72 start-up operations retained a significant presence in the city. In contrast, 80 percent of MIT start-ups chose to remain in the Massachusetts area. The lack of affordable office space is a considerable inhibitor to start-ups in New York and also, for a long time, there was only one major incubator firm in the city. In contrast to Boston and Silicon Valley, it seems that New York City is in no hurry to develop this sector.

The role of the government in fostering biotech companies and facilities is unclear. Grants and subsidies, such as those offered through New York City's emerging industry fund have proved largely ineffective. However, there is a real need for New York City to diversify and become less dependent on Wall Street alone to maintain the city's economy. One promising initiative is the creation of the East River Science Park—a large-scale commercial bioscience research and development campus.

Venture capitalists point out New York City's lack of interest in biotech investment compared with Boston or Silicon Valley. One potential reason is that the city lacks a risk-taking culture both in business and in academic institutions. Mr. Bowles argues that the people who sit on



**Jonathan Bowles**  
Director,  
The Center for Urban Future



**Jerry Hultin**  
President,  
Polytechnic University

the boards of these institutions typically come from traditional banking backgrounds and are less risk-taking, less entrepreneurial and “more old money, more banking” than the technology-minded leaders of the newer institutions of Silicon Valley and San Diego.

# Session 5

## Building Educational Innovation

*Speakers*

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**Joel Klein**

Chancellor, New York City Schools

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**Marc Sternberg**

Principal and Co-founder, Bronx Lab School

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**Daniel Burton**

Senior Vice President, Global Public Policy, Salesforce.com

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- The importance of global collaboration, internet technologies and social networking are redefining the nature of relationships on a societal level - how can budding technologies enable educational innovation?
- The most important task ahead of our schools is the preparation of a generation of students that by all accounts will have to be the most versatile in history to compete. What's the plan to meet this challenge, and how do we empower teachers, parents and students themselves to adapt to a quickly changing educational landscape?



**Joel Klein**  
Chancellor,  
New York City Schools



**Marc Sternberg**  
Principal and Co-founder,  
Bronx Lab School

Contrary to the popular view that innovation in education is neither desired nor possible, New York City schools are trying to transform the system by creating conditions in which innovation will thrive. Each of the city's 1,450 schools receives a progress report grading them from A to F with meaningful consequences for high or low performance. A high-achieving school is rewarded with additional funding whereas a consistently failing school will be closed. Modeled as a "Silicon Valley" for charter schools, the aim is for increased competition, accountability, empowerment and choice in the public school system, says Mr. Klein.

#### **The Bronx Lab School: an experiment in transformation**

When Mr. Sternberg became principal of the Bronx Lab School in late June 2004, the graduation rate had been at 20 percent for the previous four years. After an impressive turnaround, this rate is expected to reach 90 percent in June 2008, with graduates attending colleges all over the country.

Mr. Sternberg points out that the greatest transformation is the level of staff satisfaction and motivation. Teachers who were previously failing in their jobs are now high-performers, who work harder and longer hours. Average teacher tenure is increasing as they bear witness to the positive changes at the school. Initiatives include setting up an after-school peer coaching system where teachers can choose their own coach. In addition, delegating authority down the organization has empowered staff to make decisions about student achievement and day-to-day classroom activity.

For ease of tracking student performance, New York City schools have implemented Web-based software. The application is secure, easily installed, affordable and does not need to be upgraded. Mr. Burton says that Salesforce.com handles 100 million transactions each day and its 95 percent renewal rate is a testament to its success.

While there are currently few opportunities for the private sector in reforming the public education system, it is an area for philanthropy, says Klein. The radical approach and impressive results shown by New York City schools have helped raise \$350m in private capital with some high profile philanthropies, such as Bill and Melinda Gates Foundation, which donated \$140 million.



**Daniel Burton**  
Senior Vice President,  
Global Public Policy,  
Salesforce.com

# Session 6

## The Global Drive for Talent: New York City's Assets and Challenges

*Speakers*

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**Valerie Germain**

Managing Partner, Strategic Partners Program and Senior Partner, Global Financial Services Practice, Heidrick & Struggles

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**Paul Tagliabue**

Former Commissioner, National Football League Senior Counsel, Covington & Burling LLP

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**Richard Edelman**

President and Chief Executive Officer, Edelman

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*Moderator*

**Garrick Utley**

President, The Levin Institute

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- The inter-relationship between education and business—how will NYC continue to draw the best minds and talents?
- How will the expansion of industries and professional jobs in emerging markets impact New York's ability to retain skilled workers from abroad?
- Will high costs of living compared to other cities detract from NYC's attractiveness?
- What strategies are global companies with headquarters or major operations in New York using to maximise competitiveness?



**Valerie Germain**  
Managing Partner,  
Strategic Partners Program  
and Senior Partner, Global  
Financial Services Practice,  
Heidrick & Struggles

As one of the world's leading financial centers, New York City will continue to remain a recognized global hub for importing and developing talent. Workers that are trained in the city are hugely sought after by other financial centers and emerging market countries are keen for their New York-based émigrés to return home. The city must take steps to retain its highly-skilled workers and to continue attracting top talent from around the world.

Ms. Germain points out that as the issue of retention becomes more important, so does succession planning. Research indicates that by the time an executive is 38 years old, he will have changed employers 10 to 14 times. Firms based in New York City need to start planning early to ensure they have the right talent in place.

New York City needs to ensure the talent it recruits and develops remain in line with global trends. In particular, the workforce must be sophisticated around technology and culturally fluent. The most talented individuals will have been immersed in multiple cultures even before they have graduated.

A report by the Economist Intelligence Unit examined global talent flows to predict which countries would be the leading importers and exporters of talent across the next five years. The outlook remains constant, with the U.S. as both largest importer and exporter of skilled individuals globally. However, the source and destination countries will change significantly as companies demand new skills sets.

Mr. Edelman says that, as a talent destination, the city risks being overshadowed by "Brand America" and should strive to create a differentiated, welcoming and friendly "Brand New York City."

He suggests that other concerns for New York City's continued success include the following:

- 1 Will New York City's business leaders be as competent in the future as they have been in the past 16 years?
- 2 New York City is less successful at attracting the newly wealthy than other cities such as London, Singapore, Tokyo or Shanghai.
- 3 New York City risks losing its advertising and media businesses to the West Coast if the city fails to improve its IT skills and capabilities.
- 4 New York City has not produced any innovators tackling environmental issues such as renewable energy.

More can be done to create a regulatory environment where



**Paul Tagliabue**  
Former Commissioner,  
National Football League  
Senior Counsel,  
Covington & Burling LLP

foreign students who have graduated from U.S. institutions are encouraged to remain and make an economic contribution. France has taken action in this regard. Now second only to the U.S. in importing talent, France is changing its political structure, economy, working requirements and regulations to lower entry barriers and increase its attractiveness to talented young people.

Having travelled widely last year, Mr. Tagliabue notes that while foreign opinion is less favorable towards the U.S. government and some of its policies, it holds American institutions in very high regard. State universities including SUNY must continue to capitalize on their international reputation by welcoming young people from emerging markets such as India, rather than becoming xenophobic as these countries compete with the U.S. globally.

To position New York City as "the world's capital" risks closing borders instead of opening them, says Ms. Germain. Projecting an image that the city is concerned with global domination can alienate talented individuals from abroad. Nor should New York City be complacent about its attractiveness as a destination; this attitude puts the city in danger of being left behind as other cities change more rapidly. It is vital for New York City to strike a balance; its future as a commercial and cultural center will rely not only on its ability to stay ahead of other cities, but also its capacity to create opportunities for the world's most talented people.

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