

Opening Remarks

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Today's conference has three objectives:

1. To give a sense of the overall economic performance of the New York metropolitan area vis-à-vis the nation as a whole.
2. To discuss the strengths and weaknesses of industries in the region.
3. To discuss options that local policymakers might choose to foster greater economic growth.

We need to have a clearer idea about how to achieve a strong and sustainable local economy. By one key, highly visible measure—employment—the New York City area has yet to recover fully from the last recession. The local job count is still more than one-half million below its 1989 peak. The boom of the 1980s is a distant memory. The slump since 1989, unlike that of the 1970s, cannot be dismissed as something that mainly afflicts New York City proper; the suburban areas have also not fared well. I am not—definitely not—in the business of predicting cyclical turning points and the end of the national economic expansion. The current expansion will, nonetheless, end at some point. Given the metropolitan area's lagging performance so far in this long expansion, what problems does that augur in some future downturn? One understands why the Regional Plan Association titled the summary of its Third Regional Plan "A Region at Risk."

Before I go into the program, I would like to say a few words about why we are concentrating on the economy of the city and its environs, since the Second Federal Reserve District includes upstate New York in its borders

along with the lion's share of the tri-state metropolitan area. The metro area, though, contains a large part of the District's populace, jobs, and income. I hope my good friends and colleagues upstate will forgive us for focusing just on the local area in this conference. Upstate New York dances to a somewhat different economic beat than the Big Apple, but it is clear that prosperity in this area will help to relieve problems elsewhere—even if only through the crude mechanism that more jobs and income around the city will help New York State government finances.

To gain an understanding of the problems—and opportunities—the metropolitan area faces, I asked Rick Mishkin and his colleagues to organize this conference. I am personally inclined to be optimistic about the region's future. This comes in part from my experiences as a banker in the Midwest during the massive slump in that region's industrial and agricultural sectors some ten to fifteen years ago, and then seeing the region's transformation in the years since. This episode taught me that regions can and do recover from prolonged slumps, perhaps when least expected. I would like to believe that New York and the Northeast will have the type of rebound that Chicago and the Midwest have seen over the last decade.

Today's conference will be organized around the three themes I mentioned at the outset. In the first session, the two papers—all four authors of which, I am proud to say, are current or recent employees of the Federal Reserve System—will gauge the recent performance of the region.

They also will examine whether the relative weakness here in recent years reflects softness in the national economy or problems of our own.

The papers in the second session, by Matt Drennan and Jim Orr, deal with issues on an industry level. Have regional industries been holding their own with national and world competition? What is the local state of the corporate restructuring process? Experts on key local industries from our Bank staff and elsewhere will add their insights.

In the final session, I hope we will all begin to look ahead and discuss feasible, practical policies that can improve our region's performance. Dick Netzer of New York University, a distinguished expert on the region and on government policy, will set the stage for our dialogue.

The sessions will be moderated by three individuals who have key roles in the economy of the region from three different perspectives: academia, government, and business. They are James Hughes, Dean of the Edward J. Bloustein School of Planning and Public Policy, Rutgers University;

Fran Reiter, Deputy Mayor of the City of New York; and Robert Kiley, President and Chief Executive Officer of the New York City Partnership and Chamber of Commerce, Inc.

The timing of the conference seems particularly appropriate. With the partisan political season over, it is a good time to talk about issues in dispassionate, objective fashion. Moreover, the data for the region for the last year or so suggest that some modest but real forward momentum is beginning to emerge—most especially, and welcome, in the private sector. We also had the pleasure last month of our first World Series win in ten years (in my position, I do not draw fine distinctions between the Mets and the Yankees). As a native of Chicago, I am perhaps more sensitive than most of you to what a privilege it is to win a World Series. Finally, last month, we all heard news of the awarding of the Nobel Prize in economics to a distinguished local scholar, Professor William Vickrey of Columbia, followed within days by his passing. Professor Vickrey's work long inspired those who dealt with finding solutions to many of the problems our region faces.

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