TOWARDS A SUCCESSFUL GROWTH STRATEGY FOR NEW YORK: SEVEN STEPS TO THREE GOALS – MORE PEOPLE, LESS POVERTY, AND A GROWING ECONOMY.

Remarks by Carl Schramm*
Empire Center meeting on Saving Jobs in Upstate New York, June 5, 2013.

It is a pleasure to be with you to speak about one of the most fascinating and timely of topics -- economic growth. It is more intriguing for those of us here because we have come together to consider the fundamental welfare of a place that is special to us -- New York State. The fact is that if New York was growing at acceptable levels we wouldn't be here at all.

But, to even observe deficient economic performance of any city, locale, state or region often provokes a disquieting reaction. Everyone wants to be proud of where he or she lives. Those who point to failings risk the response so often prompted by human nature of being accused of making problems worse by merely pointing them out.

To state the obvious: everyone wants a New York that is economically stronger. The state government has a major hand to play and it's in everyone's interest to help get the correct public policy interventions in place. Deep in New York's history, Albany largely saw itself as improving the state's economic chances with very large public works projects – building the canal, the Thruway, the Olympic venue at Lake Placid, and the state university system.

Today state government has many micro-targeted economic growth strategies that would have been unthinkable in days gone by when New York had many fewer agencies and the legislature met for a few months every year. As is suggested below, not only is the struggle to get New York back on its feet difficult because of forces in the national and global economies that the state is powerless to effect, it is made worse be a culture of continuous policy innovation. Government appears unsure of what to do so it does many things at once. What works? Who knows -- before analysis can establish if a program is effective or not a new program has taken its place.

Government's interventions must be studied from but one perspective -- whether they benefit or harm the interests of its citizens. At the macro level there are facts to be had. A great New Yorker, once University Professor at Syracuse, spoke to this very point. Daniel Patrick Moynihan, whose boundless charm covered his sometimes savage and nearly always accurate criticism, taught: "You are entitled to your own opinions. You are not entitled to your own facts." Recalling his caution, let us consider what the facts tell us that might guide state policy so that it in fact improves the economic prospects of New York.

My remarks come in three parts. The first is an examination of New York's economic troubles. Second, we examine their causes. Next, I propose a few policy steps that are likely to have the greatest impact on improving the state's economy. I end with a coda about the dangers of a certain New York "state of mind" – memes in the thinking of influential New Yorkers both in and out of government that get in the way of setting the best course for the state's economy.

The cardinal economic problem New York faces is demographic. Of course it has depopulating cities, is losing industry, has seriously underperforming schools, and a decaying tax base. But each of these problems ultimately relates to the dynamics of who is living in New York. In the last decade nearly two million people left New York, the majority moving to states with lower taxes, less regulation and greater economic opportunity. How do we know? Not only do copious anecdotal accounts tell us this; IRS data say the out-migrants went to states without income taxes, or with lower taxes, or, in all cases, with growing economies.

"So what?" you might ask, New York was 400,000 residents bigger in 2010 than in 2000 – the state continues to grow. There are three answers that should concern us. First is who makes up New York's population as a result of these demographic dynamics. Again, using publicly available data, we know that those who left the state made more money, had greater household wealth, were better educated, nearly all spoke English and a majority was born in the state. And, while a large number of New York City's newest residents are among the brightest young people in the nation coming as they always do to test their mettle, on balance the state's newest residents are less educated than those leaving and make less money. Importantly, large numbers do not speak English.

This pertains to the second demographic issue. Once New York was home to the largest share of America's newest arrivals on their way to becoming citizens. Immigrants were New York's greatest advantage relative to other states. To many, New York meant America – the Statue of Liberty and the federal receiving station about which people wrote back home as their first impressions of the land of freedom and opportunity. New York as a place was in every letter. The state's Erie Canal was one of the principal routes that immigrants who didn't stay took to get to Ohio, Illinois and Minnesota on their way to populating the rest of the country. New York couldn't hold everyone even though it was the first home to so many. Happily no state benefited more than New York from the development of the American interior! When the canal was completed the product of the Midwest flowed through New York City, displacing Boston and Philadelphia as our leading ports once and for all.

Now, of course New York is losing the population contest to other states. While New York did grow by 400,000, both Texas and California added more than 4 million new residents between the last censuses. Why this is so central is that economies, local and national, are made up of people. More persons equal more market activity. (More better educated residents means higher value market activity.) When a state's population grows slowly its economy cannot grow fast. If smarter people are leaving in disproportionate numbers its economy will grow even slower.

New York is losing its people and hence some of its economy to states that outcompete it. Among them are Florida, California, Texas, the Carolinas, and Tennessee.[1] Relocated New Yorkers are competing against their neighbors left behind! Incidentally, New York adds to its own woes. The state is home to more engineering schools than any other. Collectively they lose a higher percentage of their graduates to other states than do non-New York universities. And, every engineering graduate, even if trained in private institutions like Clarkson, Cornell, Rochester, RPI, and Syracuse, benefits from some New York subsidy.

The third consideration comes by way of a hypothetical. Imagine if no one had left New York in the last decades but all those inbound new residents still came. In the course of one decade New York would have regained its rank as the second most populous state. If New York had experienced no outmigration since it began in the 1970s but the same number of new residents had in-migrated, its not clear it would have ever ceded its claim as the most populous state.

Why did all this change in New York's population occur? Fundamental answers are often overlooked as observers seem content to focus on businesses leaving the state, the absence of California-like start ups, and the shifting of corporate headquarters out of state concluding that taxes and regulation have made New York a "hostile" business environment. While "hostile" might be an understatement, there is more to it than comparatively high taxes and too much regulation. Understanding the causes of New York's economic decline allows the consideration of more appropriate interventions to achieve more realistic objectives. Absent this, the state and its subdivisions will continue to embrace "silver bullet" solutions – the policy fads of today and tomorrow that never appear to make any real dent in the problem.

New York's worst "people" problem is one it cannot influence. The weather. Where once its famously challenging winter exerted no measurable influence on the state's ability to grow, starting in the 1960s New York's weather was becoming what might be termed a "demographic disability." The Empire State was no longer the most populous or wealthiest by 1970, ceding the position that it held since 1800!

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[1] See Steven Malanga. http://www.realclearmarkets.com/articles/2013/06/12/is_new_york_the_worlds_premiere_global_city__100396.html

In the early 1960s several extraordinary and simultaneous technological breakthroughs stimulated interstate mobility. Commercial air service adopted the jet engine. One could go from New York to Los Angeles non-stop in six hours! Air conditioning was finding a market in homes and automobiles. The Interstate highway system and the revolutionary high-speed cars built for it provided a new means to go places. Not only did the suburbs emerge as a place to live, driving long distances for business and vacations became commonplace. Television permitted people with bad winters to imagine that they could live and work in California, Arizona, Florida or Texas. They could not just raise a family like the Cleaver's they could do it right on the same street in, say, San Diego.

As a result of the travel connected to World War II many Americans had spouses and friends from far away places. Post war industrial conglomerates required divisional experience that routinely involved multiple moves for aspiring managers and executives. Lots of moms raising their "boomers" liked it that kids could play outside 12 months of the year without snowsuits, mittens, boots, stocking caps, ice skates, toboggans, and snowshoes. The revolutionary music coming from California in the 1960s and 1970s lured the more adventurous (and likely smarter) kids across the country to join the surfers in their deceiving "laid back" cult that masked one of the most ambitious group of American youth ever assembled. McDonalds, California's "fast" food, quickly dominated America's eating habits.

At the same time that states were becoming conscious competitors looking to recruit businesses and people, New York made several wrong turns. In the realm of investing it's called the Black Swan assumption. New York had no memory of relative decline. It was unthinkable that its economy wouldn't always produce more or that more people wouldn't live in New York than elsewhere. In fact, New York's population had grown in every census for 190 years! Wall Street was always going to be in New York City. Farming and the world's best manufacturing would always be what upstate did.

With its apparently evergreen riches, Governor Rockefeller committed the state to a new array of initiatives – creation of a new state university, new social welfare programs, and, perhaps most importantly in terms of the state's long run competitive position, public employee bargaining. The Taylor Law (1967) extended the already extraordinary power of unions in the manufacturing and construction industries that by itself was proving a disability in keeping factories that could, in part due to air-conditioning, relocate to the non-unionized South. With public bargaining in place, unions became the unquestioned political power in Albany. Their philosophical view of expanding government social programs, once enacted, ensured that New York's tax burden would continue to grow.

Empire State Plaza, started in 1959, often referred to as "Brasilia on the Hudson" not merely for its similar architectural style but for its enormous size, was erected to hold a remarkably bigger government. Interestingly, contemporaneous accounts find politicians announcing that New York had the leader's burden having to build a new capital to "show other states how it was done." The State's historic legislative "firsts" including workers compensation insurance, pure food and drug protection, the creation of the Adirondack Park, and public transportation were seen as the trajectory that New York had no choice but to continue -- in the vanguard for other states. (Saul Steinberg's famous cartoon showing a New Yorker's view of the world looking west from 9th Avenue, appeared in 1976 on the cover of the country's most sophisticated weekly that, naturally, bore the city and state's name.)

In retrospect, there were signs that New York's lead was not to continue. In 1958 both the Dodgers and the Giants moved to California. The contemporary shock of these losses is hard to imagine. But, the state seemed incapable of considering any implications about comparative economic advantages that Messrs. O'Malley and Stoneham clearly saw. Both teams' decisions were dismissed as unimportant – it was only sports, after all. A common refrain was "It might change baseball but it won't change New York." What did California know about baseball anyway?

Well, as it turned out, California knew a lot about baseball and many other things that let, using a quintessentially New York City metaphor, the Golden State eat New York's lunch. What were they? Apart from weather, I believe four count, but there are surely more. First, it was suddenly the fastest growing state. So, it had "the new" going for it – always an advantage in a nation where "adventurous consumers" are a unique aspect of our economy. Americans continue to prove that for us "the new" makes us perk up and pay attention. When easterners could really get to see what California was all about, thanks to the plane and television, it turned out its charms, including its exploding economy, were hard to resist.

Second, it was inventing its future, a non-agricultural future, without the burden of much of an old industrial past. The artifacts and ghosts of a once dominant manufacturing economy didn't hang over it. There was no golden age of the canal in California. The Gold Rush was not an economically sustaining experience. Western states bought typewriters -- they didn't really make things (do movies and wine count?), rather, they grew fruits, nuts, figs and vegetables. Money came from the ground – oil and cash crops. California had little in the way of heroic industrial achievements reaching much before World War II when it, and Washington State, began to dominate "new" metal fabrication on a grand scale. California built ships in just days! And it knew how to make aluminum into airplanes.

Third, California faced the new "new" world, the Pacific Basin. Japan was an economic colony of the United States for a long time after the war and California was its gateway. Korea demanded that California dominate wartime shipping long after the European Theatre of WWII had recovered its economy. Nixon's trip to China in 1972 was of the greatest consequence in shifting the American worldview toward Asia and California stood the most to gain as a matter of geography.

But, in that which matters most to any state's economy in the emerging post-industrial age, California was winning the human capital race. By 1970 California was the undisputed home state for technology research. Its powerful public university system and its eminent private institutions were outperforming New York's equivalents by whole magnitudes. By 1970 California's research universities enjoyed a threefold advantage in funded research (the basic work that often finds its expression in new companies), on a per capita basis, over New York's schools! The nascent venture capital industry came together in California in the early seventies largely to exploit the research conducted in its universities. New York's canal route had modeled the Silicon Valley in the industrial age but it couldn't keep up in the intensely research-based age of the semi-conductor.

As noted, New York didn't recognize the economic challenge it faced. New York's economic inflection point looks to have coincided with the dedication of the still incomplete Empire State Plaza in 1973. Just as the state's future was turning, it enshrined a vision of a perpetually growing bureaucracy intent on being a central feature of every resident's life. New York has never had a Governor Reagan who was skeptical of outsized government. It has been a long while since New York had a governor who appreciated that the bigger government gets the harder it is for the private sector to flourish. Perhaps the last was Governor Dewey, but it was he (thank goodness) who built the Thruway.

Indeed, through four decades of decline, the state's political leadership behaved as if it believed that with Wall Street in place, ultimately there was not much to worry about. The state grew its spending faster than its population, undertook long term pension and health care obligations it could not fully fund, and increased every form of taxation. As history rolls along the certainty of the financial industry as New York's non-sink revenue source is less and less certain. After an attempt to capture the iconic NYSE by Germans failed, its management will soon shift to Atlanta. Faith that whatever Wall Street's technical address, whether Frankfurt am Main or Peachtree Street, doesn't much matter must explain why New York's Congressional delegation never objected to the sale and why it could endorse both Sarbanes-Oxley and Dodd-Frank with enthusiasm. Setting aside wishful thinking, surely we are watching a drama that ends with London, Dubai and Shanghai shouldering New York aside as the center of world finance. Indeed, many of the city's hedge funds are in the process of decamping to Florida to avoid New York's taxes!

Governor Cuomo often speaks of the situation that his father saw with clarity but never was able to solve. As he campaigned in 1982 Mario Cuomo decried that New York families had to watch their college-educated sons and daughters leave

New York to find work. In the intervening thirty years the situation has worsened and it will continue until pragmatic policy is in place that holds the promise of reversing New Yorks' decline. The state's singular objective must be economic expansion.

What policy choices might New York embrace that will result in growth? Obviously, the overarching objective is to increase the state's population and, over time, ensuring as many New Yorkers in the future are as intelligent, innovative, entrepreneurial and successful as they were in the past. New York's sons and daughters should be able to succeed making not just good incomes but accumulating wealth without the possibility that the state will take greater and greater shares of it through progressively higher taxes. If New York's economy is successful, the portion of its population in poverty should decline at a continuously increasing rate. And, the state's economy must achieve sustained, continuous expansion. These three objectives should be the critical measures of the success of government action to reverse economic decline. They are easy to calibrate and failure to meet them should mean that programs that do not work must be abandoned and new ones, carefully thought through, attempted.

What follows is a seven-point plan that would yield consequential success toward each of the three goals.

1.New York should eliminate its estate tax. Because the evidence is so persuasive that individuals respond to differential tax rates by moving, currently several state legislatures are considering eliminating or reducing their estate tax just as three others contemplate ending their income tax. New York loses tens of thousands of residents every year as they seek to protect their retirement incomes and estates for their children. Those leaving have decidedly higher incomes and are much wealthier.

Under federal estate tax provisions, individual estates under $5.25 million are exempt and those over are taxed at 40 percent. New York, one of only 21 states as well as the District of Columbia that impose death taxes, exempts only the first million dollars. The state then imposes various levies on all estate assets less the initial one million. Thus, currently in New York a $5.25 million estate would pay no federal taxes but would be liable for a tax of $420,800, a number that would grow at a 16 percent rate on every bequeathed asset thereafter!

Eliminating estate taxes would mean the potential return of many wealthy taxpayers who would purchase new second homes in New York. The reasons are many -- to feel at home again, to enjoy summers, and perhaps most importantly to rejoin their families. The social benefits of grandparents and more mature citizens not leaving in the first place would be immeasurable but real. With a growing number of wealthy seniors, sales tax revenues and property taxes (as well as home prices) would all rise. These additional sources of revenue would add further to making the loss of the state's estate tax revenue of less and less consequence over time. As it is these taxes are foregone altogether when residents leave New York.

A related tax must be eliminated as well. The evidence is clear in many states that a specific levy on millionaires drives them to leave. In the case of New York, a permanent excise tax on higher incomes has established the worst premise for public policy, namely, that in the Empire state, of all places, economic success effectively is fined!

2. State spending must be reduced significantly. In a state struggling to grow, its bureaucracy cannot be treated as if it is not part of the problem. State agencies are the instrument by which the state regulates more and more aspects of life. Any New Yorkers who attempts to build a house faces a labyrinth of regulations. Every farmer knows the reach of state oversight that has little impact on food or environmental safety. Every entrepreneur faces even numerous local regulations that govern new firms. The costs of compliance as well as the psychological hassle of dealing with bureaucracy are real and hurt the state's capacity to grow.

Consider that New York ranks least friendly towards business of all 50 states. This result is a combination of its high taxes and its excessive regulation that are, in turn, the product of poorly drafted laws and runaway bureaucracy. The effect is that many of the state's smartest university-trained entrepreneurs hurry off to other states to start their new firms. Unnecessary regulation not only costs money to enforce it depresses the very business activity that sustains the state's economy. Entrepreneurs, especially college students with no roots in the state, look for more hospitable environments elsewhere.

Instead of trusting to the state's existing businesses to pursue new growth strategies and to new firms that might set up in New York, the state's budget features an array of incentives designed to induce businesses from other states to relocate in New York. Many studies have shown that such "smoke stake chasing" inevitably costs a state more in tax inducements than it can ever recover in the way of future taxes. Any efforts at stimulating the state's economy by relocating companies or subsidizing their doing business in New York should be examined with the greatest care. For example, it is difficult to imagine that there will be a positive rate of return on spending over $400 million in the current year to induce film and television production in New York largely undertaken by highly profitable California entertainment companies.

3. It is critical to focus on improving the capacity of New York's universities to produce substantially more cutting-edge basic and applied research. Many other states where the land grant tradition produced highly reputed central universities (e.g., Wisconsin and Minnesota) or entire systems of state-sponsored universities engaged in massive research undertakings such as Michigan, Texas and California, outperform New York in ways that, if corrected, could greatly benefit the Empire state. For example, again focusing on California, with a 48

percent advantage in population, it receives almost seven times as much industrial research support. It is not surprising that Californians are awarded more than four times as many patents as well as Small Business Innovation Research awards than are New Yorkers.

Perhaps the most effective strategy for the state would be to subsidize its research universities, with a view that the state needs more AAU-level institutions and that its existing major league research schools should be yet stronger. This would require, among other things, making substantial improvements in the quality of the science, engineering and technology faculties in all but the best private institutions. Even these schools could add yet greater potential for the state's growth if they were able to have additional resources to strengthen their technology research faculties.

Given the comparative lack of faculty members with multiple Principal Investigator awards, it might appear that historic recruiting processes in various institutions have not been managed to bring the very best researchers to the state. To assist university presidents in developing strategic institutional visions for technology, engineering and science research, the Regents might establish a program of grants, with careful oversight of how state funds are deployed to increase the probability of successful recruiting. If the state were to commit, say, $400 million annually (the equivalent of the entertainment subsidy) to what might be called its "rock star professors" program, and the program was governed by a disinterested advisory board of scholars advising the Regents, it is a near certainty that the state's production of basic research leading to commercial innovations would be dramatically improved within a decade.

4. Initiate a "sea turtle" equivalent program as the Chinese have for getting scholars to come back to New York substantially improving the reputation of the state's universities. Some years ago, Beijing, in an effort to quickly improve its universities, targeted scholars of Chinese descent trained and living in the U.S. It approached them with offers of substantially better real compensation, new laboratories, and prestigious academic posts if they returned to China.

Many of the best scientific and engineering scholars in the nation were born and educated in New York State. While not one, in my own case, I received a fellowship to study for my Ph.D. at the University of Wisconsin from the New York Regents. While I knew the program had been justified to the legislature as an effort to increase the supply of college professors in New York there was never even a hint of an obligation to return to the state once my training was completed. (The only reason I knew this was that at the time I was so struck by the willingness of my home state to pay another for my professional education I researched its origins!) It might be useful to track down this diaspora of New York talent. Perhaps an incentive program could be established to induce them to return home. The tug of families still residing in New York and the warm feelings for the culture, the beauty and that certain je ne sais quoi of the cities and villages of New York in which they grew up might attract these science/technology/engineering “ex-pats” to return.

5. Immigration, as noted, has worked for many decades as a particular economic strength for New York. Not only did immigrants provide the state with its growing population, the state once geared its civic institutions, particularly its schools, to integrate newly arrived Americans into its economic life. Studies have shown that a large portion of America’s unequalled number of Nobel Prize winners includes first or second generation immigrants with New York state lineage.

New York is still the path through which many immigrants come to America. Many study in the state’s exceptional graduate programs. But, under federal law, the inflow of particularly trained scientists and engineers, those newcomers most likely to make major discoveries and start new high-tech companies, is unfortunately limited. Federal law does not reflect a policy that encourages the smartest immigrants to come to America, and, if they do get visas they commonly move elsewhere. California’s superior research and entrepreneurial cultures attract those immigrants in particular who want to convert technological and scientific breakthroughs into new companies.

New Yorkers, using a provision of federal immigration law, could innovate a new route for specific immigrants to gain entry and permanent status leading to citizenship. The EB-5 visa program allows up to 10,000 immigrants a year who are ready to invest $1 million in a new business to enter as presumptive citizens. In certain areas of high unemployment the threshold investment is only $500,000. A voluntary group of interested residents, perhaps brought together by the state, might create an investment fund that recruits foreign-born Ph.D.’s eager to come to the U.S. intent on starting businesses. Each year, New York’s “human capital innovation investors” could advance, through a competitive process, funds to perhaps 1000 highly trained immigrants necessary to gain entry. These EB-5 visa holders would promise to return to the funders’ pool some share of profits in the new businesses they create as well as pay back their initial loan. The sponsored immigrants would stipulate that they would headquarter their businesses in New York. While not a certain route to increasing the number of new businesses created in New York, there is little doubt that one thousand particularly smart and highly motivated new citizens every year would greatly benefit the state’s economy.

6. As part of a general plan to improve the state’s human capital its high schools, colleges and universities will have to increase the production of graduates ready to compete in the global marketplace. Not only would technology and science programs need to expand but existing curriculums need to be reformed eliminating courses that hold little potential for improving the state’s economy, or, as importantly, preparing students for productive lives. For example, it has been obvious for some time that a number of undergraduate areas of study (e.g., leisure management, music therapy, non-profit entrepreneurship) do little to

equip degree holders to contribute to the economic growth of the society. The Regents should establish an expectation that outside of the traditional liberal arts disciplines (literature, art, anthropology, history, economics, sociology, classics, psychology and political science) all courses of studies must have demonstrable additive economic value to the state's future and the student's potential to be an economically productive resident.

Likewise, the Regents should insist that the state's undergraduates should be required to achieve fluency in a foreign language, preferably one that is used by one of our nation's trading partners. Similarly, all students entering New York colleges would have to demonstrate proficiency in spoken and written English. English is the global language of commerce; the Regents' presumption should be that to be a good student and to become equipped for a good job every graduate must speak English as it is spoken in the professions. Any resistance to this suggestion should be met with comparisons of how many Chinese, with whom New York's college students will compete in world markets, already speak proficiently in English. If the Chinese can learn English, New Yorkers can and should learn Chinese and other languages.

7. New York should develop a comprehensive strategy aimed at establishing a cohesive civic culture about what it means to be a New Yorker, one that spans the entire state. To a great many, there is no sense of pride or "specialness" of place that being a New York resident should evoke. Civic pride is a condition of becoming a good citizen – one who works to improve the commonweal of any place where he or she resides. As a result of decades of curriculum reform, the typical secondary student in New York knows very little if anything of the state's history. They know little of New York's importance to America as the gateway to immigrants; they know little of New York's role in the Revolution; or its importance in instigating the Civil War and how New York's soldiers were critical to its success. Few have any appreciation of its former wealth or status among states. They know very little regarding the state's role in industrial and scientific innovation.

History is the grounding of how one relates to place. It is the first element in building a sense of community cohesiveness that is important to sharing responsibility for reenergizing the state and its economy. Today the typical student has no sense of unique pride in being from New York in the same way a student in Virginia or Texas might. This must change if the state is ever to succeed as a place that pulls together to reshape its economic future.

The state's current effort to highlight one part of the state at the expense of another illustrates the problem. Campaigns such as "Welcome to the New Buffalo" with ads playing all over the nation, suggest that certain parts of the state hold more promise than others. And, while Governor Cuomo rightly says that New York's economy is really the sum of the economies of its regions, the very nature of the state's economic problems cannot be solved with a regional strategy. Indeed, this approach promotes a counterproductive competition of region against region, all within a statewide regime of excessive taxes and regulations that are the common cause of poor growth in all parts of the state. No single New York region will ever compete with, say, Texas, as long as the state's tax and regulatory policies apply.

Indeed, the phrase "Welcome to the "new" New York," the core of a separate advertising campaign, should connote that the state understands inter-state competition and means to survive and win by lowering taxes, limiting regulation and reducing the size of state government. The meaningful "new" in the new New York is a rather simple formula that when combined with the steps proposed above might just start New York on the path of significant growth. Growth will bring a bigger population and will permit New Yorkers living in poverty to emerge into a prosperous middle class. Only appropriate policy will ever get the job done.

Unfortunately, New York like other states, corporations, and institutions of all kinds, has several of what might be called "habits of mind" that impede clear-headed thinking about policies leading to economic growth. They are widely accepted mental constructs that appear to influence those who control New York's policy. They operate to impede progress; they bear careful examination.

First, as noted, New York was for 170 years the biggest state in the country with the largest Congressional delegation. Many New Yorkers appear to believe, against all evidence that Congress can still be made to do the state's will. New York remains powerful in Washington but if the state were to suffer continuing decay in its economy it is not likely that the Congress would respond to its entreaties. New York should imagine itself responsible for its own future; the federal government will not operate as deus ex machina.

Second, there is an implicit assumption that Wall Street will always be the fount of the state's wealth. As noted, because of new federal policy regulating financial markets, New York will have difficulty continuing as the undisputed center of world finance. Already, unregulated dark markets, mechanism without geographic "homes," account for huge portions of equity trading. New York's investment banks are under growing pressure to globalize even their operations to protect their world positions. And, many companies that deal principally in insurance and financial services are increasingly leaving America to avoid U.S. taxation and its increasingly onerous legal liabilities. As Wall Street's future darkens, all of New York will suffer.

Third, public policy discussions often presume that upstate New York's economy is forever lost -- that it cannot be saved. State policy makers appear often to see upstate through the lens of an antique comic book as wilderness that once had factories and farmers. In fact, the majority of the state's universities and remaining industrial jobs are concentrated upstate. Moreover, upstate's human capital assets are remarkable – cities such as Albany, Buffalo, Rochester and Syracuse are still huge reserves of exceptional talent -- well educated and highly skilled people.

All over upstate a serious self-help strategy is alive, namely, that entrepreneurs can convert new ideas into new businesses. Indeed, perhaps the state's best new business is Chobani – a farm-based yoghurt company! And, as noted below, upstate holds one of the nation's richest deposits of new energy with enormous collateral potential for the state's economy, not the least being a new frontier in engineering. Upstate should be seen as the state's great asset not its anchor.

Finally, New York is home to a very well developed anti-growth political movement. Political scientists have puzzled over how it is that wealthy civically inclined residents in many states seem inclined to "pull the ladder up" after they have achieved success. It seems fashionable to believe that any more growth is bad for the state per se and preventing future development should be a focus of civic engagement. The principal justification for this notion is that all economic expansion comes at the expense of the environment. We see this impulse manifested in three ways that are harmful to New York's economic future.

The most important is the vigorous resistance to hydro-fracturing. While the purity of New York's ground water is critical to the health of its residents and to its agricultural and tourist economies, there is overwhelming evidence that the long run risks that attend "fracking" are minimal while the potential economic benefit to the state's economy is enormous. While the anti-fracking forces have been effective in turning state government against drilling, New York has in fact a relatively simple way to resolve the problem, namely, letting local determination settle the matter.

New York's Marcellus shale deposit runs under a small number of upstate counties. If the citizens of these counties, who stand the most to gain, determine that they will tolerate the potential risks for the obvious economic benefits then drilling should proceed. To insure that if any unforeseen damage were to occur its costs would not be visited upon citizens in other regions an indemnification fund could be established using a share of current gas revenues. Interests on the fund could be applied to ensuring continued diversification of the local economies to avoid the problems that extractive economies often present, namely, evolving into sole reliance on energy resources. And, local students might have their college costs subsidies provided they pursued technical and engineering educations.

Anti-growth sentiment is also obvious as it relates to developers. Often it sounds as if New York's developers were somehow at fault for all of the state's problems. In fact, as any careful analysis of the state's history would show, without developers New York would likely not have ascended and held its leadership role in America's civic life. Developers are responsible for making virtually every inch of the state's landscape outside of rural New York hospitable or economically functional just as they are in California, Nevada and Florida and just as they were in developing Europe during the Renaissance and the rest of the world before and after.

The homes, apartment houses, and neighborhoods in every part of the state represent the vision of a risk taking developer who saw the need for every project. Hotels, airport facilities, industrial districts, movie theatres and shopping malls exist because real estate developers foresaw the future needs of a growing economy and sought to improve the civic fabric by providing their fellow citizens with the necessities of community life. In fact, New York cannot hope to advance towards a better economic future if its developers are not willing to anticipate the needs of the state. State policy should never establish a punitive posture towards its private development community.

Anti-growth sentiment also drives and shapes the state's land preservation activities in ways that also dampen economic activity. The amount of land that is lost to use by either farmers or developers continues to grow. Some land is "preserved" through acquisition by publicly sanctioned and supported land trusts while the value of other land is taken without compensation by the imposition of "viewscape" regulations that benefit land owners often many miles away. Similar restrictions govern vast tracts of state land such as the Adirondack forest where economic activity is virtually non-existent save for logging and papermaking.

New York's economy, the engine of welfare for all its citizens, must be the state's first priority. Judiciously crafted policies that address the weaknesses of the state's economy must recognize that growth is the only way to a better future for New York. Without economic expansion there is no hope for New York to again achieve its historic aspiration of "ever upwards." The slow/no growth alternative, evident for too long, brings with it an impoverished future that does not resonate with New York's history of shaping America's economic success more than any other state.

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