

The terrorists have not destroyed our great City, but they have left deep scars that will take time to heal. Under Mayor Giuliani's leadership we have already begun the healing process. But there is much more to do.

The first immediate task is to restore confidence in the City. New Yorkers and people who visit must feel safe and secure here. We know we live in a dangerous world and there is no longer absolute security anywhere. But just as we won the war against crime, we can create an environment that makes people confident that they can live here, do business here and visit here. Tourism and all our key industries depend on people feeling that it is safe to travel and we must join in rebuilding that confidence.

New York City must do its part in the fight against terrorism. Working with the FBI and other agencies, the NYPD must develop contacts and sources within every community in the City so that it can find and root out any terrorist cells that remain here or that come in the future.

We must also improve security measures in a way that gives us the most effective protection, but does not destroy our ability to live and work. The City needs a security commission headed by the police commissioner and including representatives of the FBI, other government agencies and the private sector. The commission should determine the most effective security measures and a plan to implement them. Helping companies coordinate their efforts and select the most effective measures should also help them reduce their costs. The Commission should periodically review security measures to ensure that they are adequate and are being properly implemented. The goal would be to ensure that all security systems work together to create an effective shield. Cutting edge technology combined with vigilant law enforcement can help us accomplish this goal.

The federal government should take over airport security. Meanwhile, the NYPD should begin immediately training security guards at all City airports and public buildings, just as the Department now trains school security guards. We must ensure that current airport security personnel protect us and visitors to our great City.

Restoring confidence will also require rebuilding the World Trade Center and assisting businesses hurt by the attack recover and stay in New York City. We must convey the strongest possible message to every single company big and small that we want them back in business here as soon as possible.

The City needs a reconstruction authority with the power to get the job done quickly. The authority should coordinate the efforts of the federal, state and local governments and private companies. It should be able to issue bonds backed by federal assistance or guarantees. The authority should include representatives of the State and federal governments and the private sector.

Working with the Mayor, the authority's first job should be to develop a special assistance package for businesses that suffered from the attack. The incentive package should be offered to businesses big and small. It should include:

One, tax breaks for 10 years, including income and commercial rent tax, for businesses that relocate anywhere in the five boroughs.

Two, lower energy and communication costs, with the cooperation of the State and utility companies.

Three, revolving loans to provide cash so that companies do not go out of business while they relocate and resume operations, with the help of the State and local financial institutions.

Four, a training tax credit to help companies quickly train new workers, with the help of local colleges and universities.

Five, tax breaks and incentives for landlords who lost buildings or suffered severe damage to help them rebuild and attract tenants.

Six, assistance for workers temporarily unemployed because of the attacks.

The goal is to make this program so attractive that businesses can't leave the City, or, if they are forced to relocate out of necessity, they will be eager to return as soon as we have some place for them to go.

The authority should have the job of using the federal reconstruction aid to attract additional private money to make reconstruction of the Trade Center possible. The new Trade Center must combine the most sophisticated high-tech telecommunications and data networks for businesses with magnificent architectural design features. In a city with the world's top architectural, telecommunications and information technology firms, we can recreate a World Trade complex that is such a showcase that companies will find they absolutely have to locate there.

We can't limit our vision for the future to a rebuilt World Trade Center. To keep New York City competitive, to stay the world capital, we must constantly expand and improve. That means finding ways to improve mass transit, including the full Second Avenue Subway and better connections between the different regional systems. It means finding ways to reduce congestion, which imposes huge costs on business, by building a freight tunnel under the harbor. It means finding a way to develop the West Side of Manhattan through careful planning that includes all the stakeholders. It means finding ways to protect our current manufacturing sector, through relocating them when necessary.

One of our greatest assets, our waterfront, should be a major focus of development. Sadly, New York is behind other cities in tapping this resource. The stream of revenues from fees and taxes from restaurants and amusement centers along the waterfront can be used to pay for a waterfront that attracts New Yorkers and visitors. As part of this program, we should expand the use of ferries for transportation.

Our City is part of a greater metropolitan region, which as a whole, is a tremendous economic power. The New York metropolitan area is composed of inter-related economies that share a common fate. To work effectively, mass transit must be an integrated system that covers the entire area. Rather than competing against one another, area governments should cooperate to bring more businesses into the metro area. State and local governments must work together to build our economy and create more jobs.

Tourism is one of our most important industries. We must have an aggressive campaign to show the people of America and the world that New York City is as safe as anywhere else. But we must face the fact that it may take some time to rebuild tourism and in the meantime we will have to take steps to preserve our arts and cultural institutions and Broadway.

The vicious September 11th attack has forced us to change our priorities. But we cannot ignore the important issues that faced us before. We must continue to make school reform a priority. New York depends on its brainpower. We must prepare all our children for the high tech demanding jobs of the future.

Local businesses have trouble recruiting workers because housing is so expensive. We have to attack that problem from two directions. One is building more affordable housing to keep working and middle class families in New York. The other is to improve and expand mass transit so more housing is accessible to more people, thus expanding the housing market.

New York must become the most business friendly City in the country. We must strengthen our economy and build jobs so that we will have the resources we need to accomplish our other important tasks.

In sum, our message must be clear. New York City was not darkened by this dark act. The City remains a beacon to the world.

We still mourn our losses, which are overwhelming. But the true monument we will build for those who died is the new New York we will create. And we are determined to make it a monument equal to their sacrifice.

The most important thing for us to understand today is that the task New Yorkers face now is not only rebuilding. Our goal cannot be to end up in five years where we were weeks ago before the hateful attack on our City and country. That's not even close to good enough.

Our task is to create a better, stronger, more prosperous City. A City that continues to lead America and the world into the future. A City that continues to draw the toughest and most creative people in the world because in the land of opportunity, this City defines opportunity.

The time to invest in New York, to create a business in New York, to buy a home in New York is now. Since its first days, New York City has been an incredible engine of opportunity and wealth. Our best days are yet to come.

ECONOMIC CONDITION & OUTLOOK

The National Economy

A national slowdown in growth started in the second half of 2000 and became steadily more pronounced into the third quarter of 2001. How deep the decline will go, and how long it will last, depends to a large degree on consumer and business confidence, as well as on the effectiveness of U.S. fiscal and monetary policies.

The national economic growth rate, as measured by the change in real gross domestic product (GDP), started slowing in third-quarter 2000, when GDP grew only 1.3 percent, compared with a strong 5.7 percent showing in the previous quarter. GDP continued to grow slowly in fourth quarter 2000, at a rate of 1.9 percent, and again in first quarter 2001, by 1.3 percent. By the second quarter of 2001 the growth rate had fallen to a meager annualized rate of 0.3 percent, the slowest pace since a decline of 0.1 percent in first quarter 1993.

Data reported in September 2001 illustrate how weak the economy had become weeks before the terrorist attacks on September 11. Seasonally adjusted payroll jobs were down by 199,000 in September, after declining by 84,000 in August. The September decline was the largest since April 1991. Although the unemployment rate in September did not change from the August rate of 4.9 percent, it was the highest since 4.9 percent in September 1997. The U.S. employment/population rate was 63.7 percent in September, slightly better than 63.4 percent in August. The labor-force-participation rate was 67.0 percent in September, better than 66.6 percent in August. The full impact of the September 11 attacks may not be fully

reflected in payroll data for several months.

The composite index of consumer confidence fell to 97.6 in September from 114 in August. The two key components of the index both declined. The “assessment of the present situation” declined to 125.2 in September from 144.5 in August, and “expectations about the future” dropped to 79.2 in September from 93.7 in August. Most of these figures were collected prior to September 11, so their decline indicates that the economy was already headed toward a recession prior to the attacks, which then hastened the downward trend.

To boost the eroding confidence of consumers, businesses, and investors, on October 2 the Federal Reserve Open Market Committee cut the federal funds rate and discount rate, each by 50 basis points, for the ninth time in 2001. Given the low-inflation environment, the health of the banking system, and the strong decline in consumer spending and private investment, more monetary easing is likely. With the federal funds rate at 2.5 percent, there is room for further reductions. Also, Congress and the administration are working toward a sizeable economic-stimulus package, which is expected before the end of 2001.

In conclusion, the Comptroller’s Office expects a decline in the economic growth in the third and fourth quarters of 2001. However, given the massive stimulus that has been applied to the economy so far and the additional ones expected before the end of 2001, the economy is widely expected to recover by mid-2002.

The City Economy

Although the City’s economic growth was slowing down in 2001, it was outperforming the nation before September 11. However, the City is expected to suffer the most economic damage from the attack. Job reports for September and October will begin to record the magnitude of the loss. The tragic loss of life, the severe property losses, and the consequent security precautions and significant disruptions that occurred on and after September 11 could prolong the City’s recession until mid-2002.

The City’s economy showed clear signs of slowdown before September 11. Total jobs, seasonally adjusted, fell by 10,300 in August after declining by 11,000 in July, by 8,800 in June, and by 2,700 in May. The private sector lost 8,200 jobs in August and the government sector lost 2,000 jobs.

Within the private sector, only five industry sectors showed any growth. Real estate grew by 100 jobs, retail trade grew by 400 jobs, social services by 600, health services by 2,000, and engineering and management by 400 jobs.

Services fell by 2,300 jobs, more than explained by the 5,000-job decline in business services; it was the fourth consecutive month of decline in this sector, which had previously been a major source of job growth. The finance, insurance and real estate (FIRE) sector lost 2,300 jobs, falling for the fourth month in a row. Within FIRE, banking fell by 700 jobs, insurance by 100, and securities by 1,600. Manufacturing lost 2,000 jobs, construction 900, transportation and utilities 400, and wholesale trade 800. Eating and drinking places saw a loss of 200 workers, motion pictures and amusements 2,900. Legal services fell by 400.

The City’s unemployment rate jumped sharply to 5.8 percent in August, from 5.0 percent in July. The August rate was the highest since 5.9 percent in May 2000. The NYC employment/population ratio fell to 54.6 percent in August from 54.9 percent in July; the August rate was the lowest since September 1999. Labor-force-participation rate was 58.0 percent, slightly better than 57.8 percent in July.

Two leading economic indicators significantly deteriorated during the first eight months of 2001 compared with the first eight months of 2000. The help-wanted