

# Interview

## Governing Through Crisis

An Interview with The Honorable David A. Paterson,  
Governor of New York



The Hon. David A. Paterson

**EDITORS' NOTE** David Paterson was appointed to his current post in March of 2008. At the age of 31 in 1985, Governor Paterson was elected to represent Harlem in the New York State Senate, becoming the youngest Senator in Albany. In 2003, he became the minority leader of the New York State Senate, the first non-white legislative leader in New York's history. He made history again in 2004 when he became the first visually impaired person to address the Democratic National Convention. He became New York's first African American Lieutenant Governor in 2007 and is now New York's first African American Governor. Governor Paterson, who is legally blind, is a member of the American Foundation for the Blind. In addition, he is a Member of the Board of the Achilles Track Club, having completed the New York City Marathon in 1999. He serves as a member of the Democratic National Committee and as a board member of the Democratic Legislative Campaign Committee. He earned his bachelor's degree in history from Columbia University in 1977, and completed his J.D. at Hofstra Law School in 1982. He continues to give back to his alma mater by serving as an adjunct professor at Columbia's School for International and Public Affairs.

**Are you happy with the reception your executive budget has received and with the understanding of what needs to be done during these tough times?**

No, I'm not. I would compare it to the

energy shortage in this country. About three years ago, the fact that it was an issue broke through with the American public. Bush opened his State of the Union address in 2006 by saying, "America is addicted to oil." In advertising, there was suddenly this focus on green building and energy efficiency – all of this became part of the rhetoric of advertising. For the economy, in the beginning of 2008, or even mid-year, if anybody said this was going to be terrible, they were called an alarmist and they took it back. Then a number of people – a class within which I include myself – started to talk about how bad the economy was in July. And that didn't go over very well for a couple of months. But with the Wall Street demise, the disappearance of Lehman Brothers, the subsuming of Merrill Lynch by Bank of America, and the collapse of AIG with the government having to save it, everybody now academically accepts that we're in tough times. The American public immediately adjusted to it. People who were saving 1 to 2 percent of their per capita salaries started saving between 5 and 6 percent. But the institutions of government don't change. Even while they are reeling in this budget deficit, nationally and locally, nobody changes. I chalked that up to the Presidential election. The Presidential election is over, and we're now seeing that people still don't change. When 188 members of a party vote exactly the same way, it shows politics is still more important. Unions are using the same radio and television ads and hostile associations that they did five years ago, and saying that this is the worst cut in the history of the state, and asking how the Governor can do it. This is the worst budget deficit – by three times – that we've ever had in the state; that's how the Governor is doing it. There is word that some Long Island business people are upset that the first projects that are shoveled in the ground that will create 1,100 jobs are all upstate. In reality, they were the first that were ready. We don't have time in a crisis to be evacuating the house on fire from the front door and back door at the same time; we have to get people out as soon as we find them. And so I'm not satisfied.

The good news is that I think the legislators see it. The legislators, compounded with the choice of whether to reduce spending or cut programs absent any revenues in the state right now, are staring the crisis in the face at this point with our upcoming state budget constitutionally mandated to be passed April 1st.

**The hope today would be that politics could be put aside and that what is needed and good for both the state and the country would be the focus. Is that realistic?**

I think it is realistic. We have the means, the acumen, and the cooperation of enough people in Albany to do it. But when we reduced the budget deficit for 2008 and 2009 for the third time and balanced the budget in the beginning of February, cutting \$1.6 billion off the remaining deficit and adding a recurring \$800 million to the 2009 to 2010 debt, we found that it was a politicized process. I don't even mind a politicized process if the other side had a solution. But they never wrote down and submitted a way that they would cut the deficit. What they did was just complain.

**How are the initiatives on affordable and enhanced education progressing, and is this an area that you're trying not to cut?**

The federal government bailed us out in education. They gave us \$2.5 billion specifically marked to cover any cuts that were made to the education budget. So we were able to cover the state and local deficits we believed would accrue for 2009, 2010, and 2011. But that is still going to create a great hazard for the management of the education system, because now we have flat spending for two years. Seventy-one percent of the resources distributed for education go to administrative costs, so I think the districts can tighten their belts. But since nobody is going to tighten their belts, everybody has to get cut by me, so we're going to have a problem.

**You're focused on making New York more energy independent and efficient. Is the need to address that area well understood by the public?**

It's easier for us because people see the utility bills and they are well aware of the cost of energy. They see their gas bills that were rising, and they'll rise again, along with their home heating fuel. So it's a lot more tangible than the economy, which is an amorphous concept that people don't often get a grasp of. One of New York's assets is its research and development capacity through our colleges and universities. There is a fight over which state can first increase the battery life in the plug-in hybrid electronic vehicle, thereby perfecting electronic storage technology, which will revitalize their economy for years to come. So we are pushing to make that happen. We already have a very ambitious workforce development program in

the energy field, thanks to Governors Pataki and Spitzer, who were dedicated to this prior to me. So now with our “45 by 15” program, where we would reconvert 45 percent of our electricity to clean and renewable energy sources and also to alternative energy forms by 2015, this could be a huge shot in the arm for our economy, and would definitely establish energy independence. The state that can energize itself will be the financial leader of the next decade.

**How challenged is the New York health care system, and can you make a real impact in expanding coverage?**

Our Medicaid system is increasing by 12 percent a year, and our revenues are down something like 5 or 6 percent this year – it’s no wonder we have a \$15 billion budget deficit. Our health care costs are 40 percent of our budget deficit. We spent \$46 billion on Medicaid. The State of California, with twice the number of residents, spent \$35 billion on Medicaid. So there are some adjustments that we have to make in the system. It is very difficult to be asked to plug in the stimulus money for deficit reduction that is not recurring. So there is stimulus in 2010 and 2011, and by 2012, you’re back to a \$17 billion budget deficit and no federal input to help you, because the federal government made it clear – if you’re not going to help yourself, we’re not going to help you. They actually gave money as an aside to those states that cut their education in 2007 and 2008 – that was long before we thought the crisis was upon us. They did that to reward states that are managing with fiscal discipline.

**In order to solve many of these issues, does there need to be that public/private partnership, and how much are you trying to engage private sector leaders and the business community in the dialogue?**

To a great degree. We’re going to need their cooperation to get some increases in payroll taxes so we can have a balanced transportation capital plan for the greater metropolitan area of New York City. We’re going to need the private businesses to understand that if we lower the climate for them, they’re going to have to create jobs so the tax breaks that they get are going to benefit our state by a function of \$1 of tax break to \$20 of investment. And we’re talking to them so they can help in a decision making capacity. This includes the Business Council of New York State, the New York City Partnership, and Unshackled, which is a forceful business organization from upstate New York – we actually recruited one of the Unshackled leaders to be the head of our Empire State Development Corporation. We want business very much involved, as we want labor involved. This is how they solved the fiscal crisis in the ’70s. The business and labor leaders came together. But the difference was that they were not as institutionally strong as they are now. So you could have a big finance leader like David Rockefeller come in, pound his hands on the table, and tell everyone they were going to work it out. And that’s what they did in 1975 with Governor Carey. There is no one of that stature or that capacity to influence a situation, because now, the advocates have \$100 million to go on TV if they need to, and the business leaders have all kinds of ways to avoid the situation, including moving

the business to other states. So we’re not in the negotiating position the way the governments were during the Great Depression or the fiscal crisis of the ’70s.

**Is it hard to be optimistic today with this doom-and-gloom type mentality?**

It’s very hard to be optimistic when you’re trying to get people to accept the reality of the situation, because you will be inherently perceived as pessimistic, since nobody believes you. And that’s what happened when I gave a televised address to the state on July 29, 2008, where I took five minutes to point out that we were in a fiscal downturn. Our budget deficit had increased 28 percent in the past three months, and I said the legislature has to come back in August and close this, and we know it’s an election year and people have vacations scheduled, but they’re going to have to cancel them. I did not get a pat on the back for that act. However, at that time, I didn’t really know the extent of the mess we were in. In the beginning of August, I thought we might have the most horrible of situations – a \$9 billion budget deficit. My staff said it would be \$7.5 billion. It was \$15.4 billion. So you’re going to be perceived as a pessimist. What I’m trying to do in order to invite people into the decision-making capacity of arresting this problem is to offer to them that the faster we address it, the sooner and stronger we can recover from it and restore prosperity to the state. So I have changed the culture of my advocacy to not that there’s a tunnel ahead, but there’s a light at the end of it.

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**How much did the role really drain you initially, and was it hard to see the light at the end of the tunnel?**

It has created a lot of anxiety and stress. You can feel like you’re careening down a hill for a bit, and the stress that I felt was enormous. But having been a person who has had obstacles and barriers in my life, I’ve recognized that you have to slow the game down, and have the temerity to try to think rather than react. The more you plan, the less you have to react.

**Is it hard not to get caught up in what the press writes about you, and are you able to keep that aside and not let it effect you?**

It’s hard not to get caught up in it because

you make a couple of mistakes and its open season on everything you ever did in your life. There is all sorts of criticism and gossip and you’re fighting the inability to tell your side of the story. For instance, if the public knew that these egregious reimbursement reforms that we want to create in health care would only cause the hospitals to lose somewhere between 1.5 and 2 percent of their revenues while it would, in some cases, save patients’ lives and would save the state manifest amounts of money, I think they would like the program. But when the only commercials they see are about closing hospitals thereby causing job losses without the benefit of countervailing information, even I would believe them. But I’m operating under the theory that good ethical decision inevitably becomes good political decision. So inaccurate information can exist for a day, but over a period of time, people will realize that the state will be in better condition for passing the type of budget we’re proposing.

**What would the people who have worked closely with you say about your leadership style?**

They would say that I’m a person that utilizes people, who doesn’t ignore the unique combination of skills that people often bring to their work. So I will have a press secretary talk to legislators, because I know he may have a rapport with them, and I’ll take someone from economic development and use him in a different area, because I happen to remember that he knew things about that area. I try to be as utilitarian as possible. When I first went to college and a lot of the library reading was not prerecorded, I had to get people to read to me and often to teach me. What I didn’t realize as a college student was that I was learning management. Sometimes the state education department would give me some resources to pay my readers, so I had to use the money strategically to get the right people helping me at the right time. I never realized that having to use people to help me in terms of governing my own life would be part of the leadership training I would need to govern our whole state down the road. And the feeling that it’s lonely at the top is very true. When going through this latest difficulty, I had 25 invitations to have dinner and talk things out. In a month of dinners, I would have had gone through the same conversation 25 times, and I would have been wasting time that I needed to start providing solutions. So there’s a balance between understanding the value of people while avoiding replication of the message that you’re hearing from them.

**Do you believe New York is on track to come out of this fiscal crisis as the financial leader of the world, and are you optimistic that we are doing everything we can to address this critical situation?**

I’m optimistic that the capacity of people to adjust, just as Americans are adjusting to this fiscal crisis individually, will be compiled collectively. In a short period of time – I would estimate two months after the corporate taxes come in for March and the personal income taxes for April – people will now see that we are trying to avoid a depressed economy rather than a recessed economy, and will start to act swiftly and soundly. ●