

Fiscal Policy in New York and Chicago: A Tale of Two Cities

In the wake of the Great Recession, cities across the United States grappled with the challenge of how to stimulate economic growth while also balancing their budgets. Two cities that took very different approaches to this challenge were New York City and Chicago.

New York City, under the leadership of Mayor Michael Bloomberg, pursued a policy of austerity, cutting spending and raising taxes in an effort to reduce the city's budget deficit. Chicago, on the other hand, under the leadership of Mayor Rahm Emanuel, pursued a policy of stimulus spending, increasing spending on infrastructure and other projects in an effort to create jobs and boost economic growth.



Mayors and Money: Fiscal Policy in New York and Chicago (American Politics and Political Economy Series) by Ester R. Fuchs

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The results of these two different approaches were mixed. New York City's austerity policies helped to reduce the city's budget deficit, but they also led to cuts in essential services and a slowdown in economic growth.

Chicago's stimulus spending helped to create jobs and boost economic growth, but it also led to an increase in the city's budget deficit.

The debate over which approach is better is a complex one. There is no easy answer, and the best approach for a particular city will depend on its specific circumstances. However, the experience of New York City and Chicago provides valuable lessons for other cities that are struggling with the challenge of how to stimulate economic growth while also balancing their budgets.

New York City: Austerity

In the wake of the Great Recession, New York City's budget deficit soared to \$10 billion. In response, Mayor Bloomberg implemented a series of austerity measures, including:

- Cutting spending by \$4 billion
- Raising taxes by \$3 billion
- Laying off 10,000 city workers

These measures helped to reduce the city's budget deficit, but they also led to cuts in essential services, such as education and healthcare. They also led to a slowdown in economic growth.

Critics of Bloomberg's austerity policies argue that they were too harsh and that they did more harm than good. They point to the fact that the city's

economy grew more slowly under Bloomberg than it did under his predecessor, Mayor Rudolph Giuliani.

Supporters of Bloomberg's austerity policies argue that they were necessary to reduce the city's budget deficit and that they helped to lay the foundation for future economic growth. They point to the fact that the city's economy has grown steadily since Bloomberg left office.

Chicago: Stimulus Spending

In contrast to New York City, Chicago pursued a policy of stimulus spending in the wake of the Great Recession. Mayor Emanuel increased spending on infrastructure and other projects, such as:

- Investing \$1 billion in public transportation
- Spending \$500 million on new schools
- Creating a \$100 million fund to support small businesses

These measures helped to create jobs and boost economic growth. They also led to an increase in the city's budget deficit.

Critics of Emanuel's stimulus spending policies argue that they were too expensive and that they did not do enough to create jobs. They point to the fact that the city's unemployment rate remained high under Emanuel.

Supporters of Emanuel's stimulus spending policies argue that they were necessary to create jobs and boost economic growth. They point to the fact that the city's economy grew faster under Emanuel than it did under his predecessor, Mayor Richard M. Daley.

The Debate

The debate over which approach is better, austerity or stimulus spending, is a complex one. There is no easy answer, and the best approach for a particular city will depend on its specific circumstances.

However, the experience of New York City and Chicago provides valuable lessons for other cities that are struggling with the challenge of how to stimulate economic growth while also balancing their budgets.

Cities that are considering austerity measures should be aware of the potential risks, such as cuts in essential services and a slowdown in economic growth. Cities that are considering stimulus spending measures should be aware of the potential risks, such as an increase in the budget deficit.

The best approach for a particular city will depend on its specific circumstances. However, the experience of New York City and Chicago provides valuable lessons for other cities that are struggling with this challenge.

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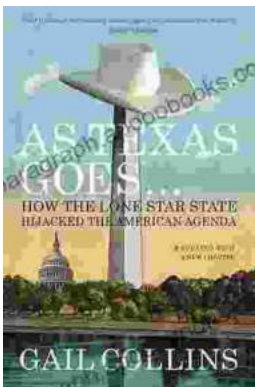
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