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New York City Limits: The Case of Morgan Stanley

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In 1991, the New York investment bank, Morgan Stanley, announced that it was considering relocating its corporate headquarters from Manhattan to Stamford, Connecticut. New York City and New York State interceded to prevent a business they perceived as an anchor in the financial community from leaving. A deal was struck in which Morgan Stanley agreed to remain in New York City for ten years in exchange for a package of tax incentives worth $40 million. This paper explores the details surrounding the Morgan Stanley case. In addition, it explores how the comparative advantage of cities like New York has slowly been eroded. Finally, it seeks to explain why the states of New York, New Jersey, and Connecticut continue to use tax incentives to lure businesses away from one another despite the fact that they would be collectively better off if they agreed to stop the practice.

Introduction

New York *Newsday* reported that "even by the standards of Manhattan power dining, it was an impressive show of force." In attendance, among others, were: Senator Daniel Patrick Moynihan, Mayor David Dinkins, former Secretary of State Cyrus Vance, billionaire brothers Laurence and Bob Tisch, Cardinal John O'Connor, American Express Chairman James Robinson, and the President of the Federal Reserve Bank of New York, E.

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Gerald Corrigan. The gathering had been hastily arranged and was being held in the private dining room of the publisher of the *New York Times,* which made it all the more noteworthy (*Newsday* October 14, 1991). This eminent group came together for breakfast in the fall of 1991 to persuade top executives of Morgan Stanley, New York City's preeminent investment banking firm, not to move the firm's headquarters from its current midtown Manhattan location to a site in Stamford, Connecticut. The stakes were high. Morgan Stanley had already purchased an option on a building site in Stamford, and the City of Stamford and the State of Connecticut had offered to pay the full cost of constructing a new international headquarters there — an incentive valued at $100 million. The meeting was inconclusive. The group of government and business VIPs argued that Morgan Stanley was the anchor of the City's financial community and that the firm would cause a domino effect if it decided to leave. The Morgan Stanley officials countered that the City had never shown much interest in the firm or its business climate until they threatened to move out (Whittemore 1993).

In the end, almost two years later, Morgan Stanley reached an agreement with New York City and New York State in which the firm committed to remain in Manhattan for ten more years. In exchange, the City and the State offered the firm a package of tax incentives worth $40 million. The City also agreed to freeze its corporate tax rate for four years. Morgan Stanley was a clear winner. As Morgan Stanley executive Fred Whittemore explained quite bluntly, "We're not stupid. We orchestrated this to get the most out of both government bodies. When you've got people by the short hairs, you have to twist just enough" (interview, 6 January 1993). The tax base of New York City and State had been eroded by $40 million. The long term costs will be much higher if other companies follow Morgan's lead in asking for special concessions. The irony, however, is that Mayor David Dinkins scored a small political coup by negotiating a deal to keep a prominent New York business in New York. On the day the deal was announced, News Anchor Diana Williams opened the story on the WABC 11:00 News (with an estimated nightly viewership of 1,214,000) by announcing, "New York wins tonight, giving tax breaks to keep jobs at Morgan Stanley from moving to Connecticut." (WABC-TV Transcript October 19, 1992)

The Morgan Stanley deal illustrates two interesting policy processes. The first is the City Limits phenomenon outlined in detail in the work of Paul Peterson (Peterson 1981). New York City is an entity constrained in its ability to make policy and yet struggling to stay competitive with surrounding suburban areas. Many businesses and middle-class residents are reexamining their need to be in the City, which they often perceive as expensive, dangerous, and inconvenient. New York City, with a very limited arsenal, is trying to fight back as its comparative advantage relative

to surrounding areas slowly erodes. Second, this case suggests that the states of New Jersey, New York, and Connecticut (and all 50 states for that matter) would be collectively better off if they agreed not to use tax incentives to lure businesses away from one another. A 1990 *Newsday* editorial noted, "So long as businesses in the city know they can successfully pit New Jersey and Connecticut against New York, there will be no end to costly wars and Pyrrhic victories" (*Newsday* November 26, 1990). Yet a 1991 "nonaggression pact" among the three states and the City of New York collapsed in little more than a year. From the perspective of the political leaders in New York City and the surrounding states, the short-term political advantage of appearing to preserve and protect jobs, especially in hard economic times, outweighs damage from the long-term erosion of the tax base.

According to Whittemore, consideration of the move to Connecticut originated with a petition circulated by a group of young Morgan Stanley executives. For this group, most of whom try to balance long work hours with family commitments, a suburban locale would offer shorter commutes, better schools, and safer neighborhoods. Senior executives were sympathetic for a number of reasons. Many felt that the City had done an inadequate job of managing the public schools, the economy, the crime and drug problems, and the transportation infrastructure. And New York is expensive. Although rents have dropped since the onset of the recession, Manhattan rents dwarf those in the suburbs. But most importantly, Morgan Stanley no longer had any reason for which they absolutely had to be in the City. Given the revolution in communications, most business that could be conducted from Manhattan could also be conducted from Stamford. During the decision process, Morgan Stanley people with stopwatches determined that the travel time from the Stamford site to a major airport was the same or shorter than from Manhattan at most times of the day (Whittemore 1993). All of this is a dramatic change from the heady days of the past when cities could charge a premium for the location and concentration of services that they offered. Peterson explains the advantage that accrued to cities such as New York until a shift towards a service economy and a revolution in communications changed the rules of the game:

> Because cities were located at the nodal points of fixed water and rail transportation networks, they monopolized the most valuable land in the region. Whatever differences existed in local taxes and expenditure policies, these weighed lightly on a scale where the physical location of cities sat so heavily. The largest and most powerful of cities could exploit the great wealth their location generated to provide a level of public services that far outstripped the surrounding communities (Peterson 1981).

Unfortunately for cities like New York, physical location no longer commands the premium that businesses once paid. A shift away from manufacturing has made transportation nodes less important. Innovations in telecommunications have made it possible for many businesses, including investment banking, to function outside of urban centers. The fact is, however, that New York City's fiscal policies, particularly its relatively high level of taxation and social services, have been slow to respond to the fact that the City is no longer preeminent. One of Peterson's key premises is that the more a local community engages in redistribution, the more the marginal benefit/tax ratio for the average taxpayer declines and the less competitive a city or state becomes with its neighbors. If the process goes unchecked, those who stand to pay the most in taxes move out, and those who stand to gain the most from city services and transfer programs move in. The result is a shrinking tax base and growing revenue demands. By the mid-1970s, New York was out of sync with the rest of America. The advantages that the City offered to businesses and middle class citizens had been slowly whittled away, but the tax and redistribution policies did not reflect the new reality. The New York City per capita tax burden in 1974 was $699 while that for the next 14 largest cities averaged $257 (Peterson 1981). In 1973, the average U.S. resident earning $50,000 a year paid 3.7 percent of his or her salary in state and local income taxes. The average New Yorker making the same amount paid 11.1 percent. The result, for all practical purposes, was bankruptcy. A report issued by the New York Temporary Commission on City Finances assessed the factors that led to the 1975 financial catastrophe:

> Taxes were raised beyond the point of economic rationality and helped to drive out mobile businesses and individuals; debt was issued beyond the capacity of the market to absorb it at competitive rates and, ultimately, to absorb it at all; salaries and benefits were negotiated beyond the capacity of the local government to finance the increases except by reducing the work force, cutting essential services and worsening the quality of life in New York City. In each instance, it clearly was in the short-run interest of City officials to pursue policies that were destructive to the future (Peterson 1981).

New York bounced back from the 1970s, but the problems outlined above are still endemic to the City, as well as to many other American cities. Fewer companies are willing to pay a premium to be in the Big Apple. As an example, in 1970 there were 124 Fortune 500 companies based in New York; by 1990, only 42 were left. The result is a scissors effect that bodes poorly for the long-term health of the City: many of New York's social problems, such as drugs and crime, can only be remedied with more money; yet higher taxes will arguably drive businesses and middle-class residents — the tax base — out of the City. Fred Whittemore offered a

pessimistic appraisal: "What we learned in the process [of the negotiations] is that the City of New York is teetering on the brink of survival." (Whittemore 1993)

Striking A Deal

Both New York and Connecticut would have been better off if the attempt to lure Morgan Stanley out of Manhattan had never been undertaken. (The tax base in New York City and State would be $40 million higher and Connecticut would not have exhausted whatever resources it used to make the Morgan Stanley bid, including the political loss of face.) Yet, once Connecticut began the bidding war by offering an incentive to relocate, New York City had almost no choice but to respond in kind with whatever was necessary to win the battle. Morgan Stanley is an extremely valuable revenue source. The firm generates $2 billion in economic activity each year and pays roughly $100 million in city and state taxes annually. Over the life of the 10-year agreement, Morgan will pay $911 million in direct taxes to New York City and State (Morgan Stanley Press Release October 19, 1992). Additionally, Morgan Stanley employs 4,100 people in Manhattan and Brooklyn. The New York City Office of Economic Development estimates that each New York worker generates $10,000 a year in direct and indirect taxes for the City alone (Fuld 1993).

Beyond that, many in New York believe that Morgan Stanley is not just any company. In the words of Steve Fuld, one of the New York City representatives who helped negotiate the final deal, "Morgan Stanley is an institution unlike virtually any other. It is the epicenter of finance—real and perceived" (Fuld 1993). Founded in 1935 with the breakup of the J.P. Morgan financial empire, the investment bank is an acknowledged leader in the financial world. As an example of the leadership it exerts on the industry, in 1973 Morgan Stanley was the first investment bank to move from Wall Street (downtown) to the midtown area. In a matter of years, First Boston, Bear Stearns, Smith Barney, Paine Webber, and E.F. Hutton all followed (*Newsday* October 14, 1991).

Nor is the financial services industry just any industry for New York City. The Big Apple prides itself on being the financial capital of the world, a claim difficult to make if the world's most prestigious investment banks are in Stamford, Greenwich, or Jersey City. As *Newsday* reported, "City leaders fear that if Morgan Stanley decides it can make deals from the suburbs, the image of New York as the epicenter of investment banking would be shattered and its grip on the industry broken." (*Newsday* October 14, 1991)

In isolation and under the circumstances, the Morgan Stanley agreement was good for New York. In exchange for $40 million dollars in concessions, they ensured a revenue stream of hundreds of millions of

dollars down the road. The long-term problem is that Morgan Stanley does not have the patent on "twisting short hairs." In November of 1992, New York City and State had to offer $80 million in incentives to prevent the New York Mercantile Exchange from moving to Jersey City (*New York Times* November 30, 1992). In August, Prudential Securities threatened to move to New Jersey, Houston, Los Angeles, or San Francisco. To forestall that relocation, the City and State pledged $106.2 million in tax incentives and energy savings over 20 years. Also in August, the New York reached agreement with four of the five commodity exchanges in the City; the package was worth $75 million (*New York Times* October 20, 1992). Lest one think this is an attitude exclusive to the avaricious financial community, even the Girl Scouts of America have played the game. The City negotiated a deal to keep the Girl Scouts in New York after Baltimore offered the organization a building and a $5 million grant to relocate (Fuld 1993). Each concession by the State and City brings forth new businesses looking for special deals. In fact, if one investment bank strikes a deal with the City, it would almost be negligent on the behalf of the management of other investment banks not to seek similar treatment.

Interjurisdictional Competition

Competition among states and cities, or "interjurisdictional competition" as it is known in the academic literature, is not without its supporters. Traditional economic conservatives see it as a mechanism for keeping taxes in check and public services up to par with surrounding communities. Charles Tiebout originally developed a theory along these lines (Tiebout 1956). He postulated that individual consumer-voters (and businesses as well) can choose among the "packages" of taxes and services offered by the various governments in a metropolitan area in much the same way that consumers can choose private goods in the competitive marketplace. The result, in theory, is a Pareto-optimal distribution of public goods by local governments. No one who has ever encountered suburban zoning laws or inner-city public schools would argue that the theory works perfectly in practice, but in a report entitled, "Interjurisdictional Tax and Policy Competition: Good or Bad for the Federal System?", John Shannon offers the charitable view of this kind of competition:

> The behavior of our states resembles 50 ships sailing in a great naval convoy during wartime. The farther any state moves ahead of the convoy on the tax side, the greater becomes the risk of tax evasion, taxpayer revolts, and the loss of economic development to states pursuing more conservative tax and spending policies. By the same token, the farther any state falls behind the convoy in the public service area, the greater becomes the risk that it will lose economic development to states providing a higher quality of life, especially public education (Kenyon 1991).

Although traditional liberals and conservatives disagree sharply over whether this competition is good or bad for the overall economy, all parties agree that city and state governments would be better off without the intense competition. An appropriate analogy is the airline industry, which has suffered greatly ever since fares were deregulated in the Carter Administration. Consumers have benefited from sharply lower fares, just as businesses benefit from tax wars, but the airline industry has been devastated as profits sink lower and lower, and in many cases, disappear (*The Economist* March 6, 1993). Competition among states has the same long-term effect. As stated by Vincent Tese, the New York director of economic development, "[Competition] does not create new jobs or economic activity in the region. What it does is enrich private-sector entities." (*New York Times* November 30, 1992)

Basic economic theory says that the airlines would be better off if they could collude and artificially hold up prices (which was essentially what the government did for them before deregulation) (Katz and Rosen 1991). U.S. anti-trust law prohibits such collusion among the airlines, but there is no such structural barrier preventing New York, Connecticut, and New Jersey from agreeing not to engage in tax wars and other forms of destructive competition. With some form of cooperation, the money now being used to trade companies within the region could be used to bring in companies from outside or to invest in communications, transportation, and other kinds of infrastructure that would make the region more competitive (Rincon 1993).

New York State, New York City, New Jersey, and Connecticut did in fact sign a limited Nonaggression Pact in October 1991. While the agreement was tepid and had no enforcement mechanism, the City and the three states agreed to 1) a ban on negative advertising and any other kind of behavior designed exclusively to lure businesses across the border; 2) a pledge to persuade firms considering leaving the region to stay; and 3) an agreement to pool resources to attract industries to the region. However, in the face of ravaged economies and short-term political aspirations, the nonaggression agreement lasted barely a year before it collapsed with a flourish. In the latter part of 1992, New Jersey unveiled a $224 million Economic Recovery Fund that is to be used to make grants, loans, investments or loan guarantees to promote economic development. On November 30, Governor Florio announced the Fund would also be used to allow the State to take partial ownership of vacant or underutilized commercial buildings in an effort to attract new tenants. (The State pays the up-front costs of renovating the space and making it more attractive to new businesses in exchange for a share of future rents.) Recognizing that most of the businesses moving into these vacant office buildings have crossed the Hudson, New York swiftly retaliated by announcing the next day that

it would start a marketing program aimed specifically at persuading New Jersey companies to move the other direction across the river. New York State Economic Director Vincent Tese explained, "New Jersey will wind up spending money keeping firms they've got, and it's not going to be a pleasant situation for them." (*New York Times* December 1, 1992) Thus, a relatively short period of cooperation was over.

This outcome accords with what many theorists would predict in this situation. In the volume, *Competition Among States and Local Governments*, Kenyon and Kincaid postulate, "Cooperation between states will arise periodically, but will ultimately be undone as individual states find advantage in cheating on agreements. Price rivalry will prove to be a profitable short-term strategy for particular states, but a troublesome one for all states in the long run." (Kenyon and Kincaid 1991)

Game theorists point out that any self-enforcing collective agreement is unstable if there is an incentive to cheat, as there is in this case. If two states agree to hold their tax rates high, then the third state can attract businesses from the other states with only minor incentives. When the other states reciprocate, the agreement falls apart and everybody loses (OPEC and its efforts to keep oil prices high is one such example) (Katz and Rosen 1991). The analogy often used is that of a group of hunters that has a stag surrounded in the woods. A rabbit runs through their circle. If any one of the hunters chases the rabbit to keep as his own, which may be a finer prize than a share of the stag, then the hunting circle is broken and the stag escapes. Although one member bags a rabbit, the group as a whole is worse off. If this process is repeated often enough, even those who bag the rabbit will eventually be worse off (Ndungu 1993).

The rabbit in this case is reelection for the area's politicians. The current political landscape consists of two unpopular governors—Jim Florio of New Jersey and Lowell Weicker of Connecticut—and an embattled Mayor in New York City, all of whose tenures have been marred by the recent recession. In the time between October 1991, when the Nonaggression Pact was signed, and November of the following year, New York lost 134,000 nonfarm jobs, New Jersey lost 93,000 jobs, and Connecticut lost 53,000 jobs (*New York Times* November 30, 1992). Given the economic malaise confronting these politicians, the basic dilemma lies in the fact that the benefits of cooperation are significant but long term. Competition, on the other hand, presents the illusion of success in the short run, such as an election cycle, but is devastating in the long run. Governor Florio looks good for actively seeking out jobs for New Jersey. As we shall see in the Morgan Stanley example, New York City Mayor David Dinkins and New York State Governor Mario Cuomo look good for warding off attacks and occasionally luring a business back across the Hudson. That the competition between the two states is to the detriment of both is not a story easily

explained on the nightly news. Peterson, citing New York's fiscal problems in the 1970s as a manifestation of larger problems, draws the appropriate conclusion: "New York's near default (1975) seems to suggest that local governments are fundamentally responsive to short-term political forces within their cities regardless of the long-term economic consequences of their policies." (Peterson 1981)

On October 19, 1992, Morgan Stanley Chairman Richard Fisher held a press conference with Mayor Dinkins and Governor Cuomo to announce jointly that Morgan Stanley would be staying in Manhattan for at least another 10 years. Each party praised the other effusively. Mayor Dinkins told the press, "[The agreement] sends an invaluable, priceless message to the world's businesses that New York City is the place where businesses do their business, the giants and the leaders choose to headquarter themselves." (Morgan Stanley Press Release October 19, 1992) The media almost universally praised Dinkins and Cuomo for saving New York jobs and improving the business atmosphere despite the potential long-term erosion of the tax base. Channel 11 called it a "flicker of hope on the economic front", and the *New York Post*, in its inimitable style, ran a subheadline that read, "Dinkins wants to keep business in New York." (WPIX-TV Transcript October 19, 1992; *New York Post* October 29, 1992)

New York City: The Long View

Morgan Stanley never publicly stated why they chose to stay in New York. Whittemore says that the agreements with the city were important but not the dealbreaker. In effect, Morgan Stanley has postponed the relocation decision for now. "We're really seeing if the city rights itself," says Whittemore (Whittemore 1993). The task of "righting" New York City is daunting. City officials must hold taxes in line with surrounding communities while simultaneously tackling the crime, drug, and infrastructure problems that originally drove Morgan Stanley junior executives to petition for a move to the suburbs. Politicians generally do not excel at doing more with less. One obvious possibility, though not a long-term solution, is an increased level of federal aid, which dropped dramatically during the Reagan-Bush years. Direct Federal aid to cities was cut by 60 percent after adjusting for inflation between 1981 and 1993 (*New York Times* January 25, 1993). The nation's mayors, aware that a Clinton Administration represents possible relief, have already asked the President for assistance. At a midwinter meeting of the U.S. Conference of Mayors, the group presented Clinton with a list of 7,000 possible urban construction projects totalling $27 billion that the President should consider as a way to aid the cities and jump-start the economy. (Mayor David Dinkins personally presented Secretary of Housing and Urban Development Henry G. Cisneros with a $1.7 billion list of 519 New York projects) (*New York Times* January 25, 1993).

President Clinton will be severely constrained by his commitment to curb the Federal budget deficit, but he has also committed to a fiscal stimulus to stoke the economy and create jobs. One way to do that would be to channel funds to America's cities. The Conference of Mayors estimates that the list of projects they left at the White House doorstep would generate 400,000 jobs, not to mention numerous long-term economic benefits.

Looking to Washington is a limited solution at best, however. In the long run, New York City must remain attractive for middle-class residents and businesses — the "median taxpayers." The city's fiscal policies must acknowledge the exit option that has evolved over the past several decades. From a fiscal standpoint, the most painless way to improve the City's competitiveness would be to attempt to wring greater productivity out of current spending. Some kind of structural school reform, for example, might improve results while lowering cost. The numerous union agreements are also obvious targets. But changes of this nature take tremendous political will, and the Dinkins Administration, soon to face reelection, has been unable or unwilling to make such changes even on the periphery. A January 1993 contract agreement with the sanitation union is a small but telling example. Dinkins had pledged to link pay increases to concomitant increases in productivity. The final agreement, however, mentioned only the pay increases. As the *New York Times* wrote in a scathing editorial, "The Dinkins administration's new deal with its sanitation union is yet another missed opportunity to improve government, another signal to municipal unions that New York City is willing to buy labor peace by tolerating waste and inefficiency." (*New York Times* January 30, 1993) Other big city mayors have had greater success in this area. Philadelphia Mayor Edward Rendell—his hand admittedly strengthened because the city bordered on bankruptcy—won major municipal labor concessions in 1992, allowing him to cut $374 million from the city budget over four years (*Newsday* January 26, 1993). At some point, New York will have to play tough if it hopes to improve services without increasing the tax burden on citizens and businesses most likely to settle in the suburbs.

Social service programs must be similarly scrutinized, especially since the benefits do not accrue to the average taxpayer. All spending must be viewed from the perspective that continued erosion of the tax base is the worst possible situation in the long run. Despite the fiscal problems of the 1970s, New York is still extremely generous in its social services relative to the rest of the country. According to 1990 figures, the State of New York spends more per capita on welfare, $707, than any other state in nation. Alaska is second at $591, and the U.S. average is $352, less than half the New York figure (U.S. Advisory Commission on Intergovernmental Relations 1990). These programs are motivated by good intentions, but the homeless are not well-served if Morgan Stanley moves 4,000 jobs and $100 million

in annual tax revenues to Stamford. Keeping taxes and services at a level palatable to the City's businesses and middle class residents may require some emotionally difficult decisions in the short term, but to do otherwise is to give the impression of social progress while laying the groundwork for long-term ruin. In short, New York City must acknowledge that it is no longer exempt from Peterson's major premise: as long as businesses and individuals are mobile, a city's spending and redistribution policies are constrained by those of its neighbors (Peterson 1981).

Enlarging the Pie

The broader problem of destructive competition among New York City and State, New Jersey, and Connecticut is vexing as well. The seemingly obvious solution is another attempt at some kind of binding agreement among the City and the states. Unfortunately, this is not a practicable solution for a number of reasons. First, given the absence of an effective enforcement mechanism, the incentive to cheat would likely chip away at the agreement and eventually cause its collapse, as happened with the 1991 agreement. Second, defining interjurisdictional competition to the degree necessary for a binding agreement is extremely difficult. States and localities use tax abatements, attractive financing, real estate deals, venture capital funds, enterprise zones, and a score of other tools to lure businesses to their locale, which enables innovative local leaders to sidestep almost any agreement. And finally, even if New York, Connecticut, and New Jersey were to come to a meaningful agreement, almost instantly the competition would begin from outside the region. I have focused on these three states and New York City because they were most involved in the Morgan Stanley case, but the other 47 states—and thousands of cities—have the same incentives to compete. According to Brook Hern, spokesperson for the New Jersey Department of Commerce and Economic Development, the State of South Carolina has an office in New Jersey for the sole purpose of making cold calls on manufacturing firms and encouraging them to move south (Hern 1993). If Stamford and the State of Connecticut had been bound by an agreement not to strike the initial deal with Morgan Stanley, then Atlanta, or Dallas, or Los Angeles would have been quick to fill the void.

A more viable kind of agreement would be one in which the states agreed to act in concert to make the region more attractive. By creating an investment pool, New York, New Jersey, and Connecticut could improve the region's airports, highways, rail lines, telecommunications, and other components of the infrastructure in order to make the region a more attractive place to do business. (The Port Authority of New York and New Jersey already does this on a limited scale.) The internecine competition among the three states would almost certainly continue, but as the pie gets

larger, the actors are less likely to fight over the pieces. Politicians would be able to take credit for attracting jobs from outside the region—and for actually creating jobs—rather than simply luring them across the border at great expense to the state. While a company like Morgan Stanley might not be able to jockey for the tax breaks they receive now, they would benefit in other ways. As Whittemore said, "We are trying to run a business in an atmosphere that is conducive to good business." (Whittemore 1993) If clients and employees can travel in and out of the City easily, depend on a communication network that will link them to the rest of the world, and work in relative safety and comfort, then the firm is well-served.

Conclusion

The policy processes outlined in this paper will loom large between now and when Morgan Stanley's Manhattan lease expires in 2002. I agree with Peterson that New York City must somehow move quickly to restore its attractiveness for businesses and middle-class citizens or face a vicious cycle further into decline. Similarly, the states and cities in the region have to acknowledge that trading businesses among themselves is a negative sum game and therefore a bankrupt strategy in the long run. An improvement in the economy will dramatically help the situation in both of these cases. Also, President Clinton might be more generous than his two predecessors with the states and cities. But most importantly, it will take effort and foresight on the part of policy makers to maintain a tax base that is both amenable to businesses and middle-class citizens and also sufficient to provide the level of services necessary to compete with the rest of the country, and increasingly, the world.

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