

OFFICE OF THE MAYOR



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## The old Washington slash-and-burn artist is making nice as Chicago's mayor and trying to save his city—one job at a time.

By Devin Leonard. Photographs by Chris Buck

# Reinventing Rahm

**R**ahm Emanuel doesn't sleep much. You can see it in his eyes, perpetually shadowed in dark circles. He gets up often in the middle of the night to check his e-mail and is out of bed at 5:15 a.m. He drinks coffee and scans the morning newspapers on the drive from his apartment near City Hall to the city campus of the University of Illinois. Then he starts his workout.

"I'll give it to you if you are really that interested," the 51-year-old mayor of Chicago says, sitting in a City Hall conference room one day in late June. "Monday, Wednesday, and Friday, I swim a mile in a 50-meter pool. I do a short chest exercise. Then I run two miles home. Tuesday and Thursday, I do 25 miles on the bike on random level 15, 15 minutes on the elliptical. You don't want to know this, but I do 100 sit-ups, 50 push-ups, and a weight routine. Saturday, I bike 20 miles outdoors." On Sundays, Emanuel attends a yoga class, to undo the side effects of his running and biking.

An aide hands Emanuel a printout of his schedule. "Oooh, today is busy," he says, sounding not displeased. It's 7:30 a.m., and Emanuel says he's already finished calls with the commissioners of the water and cultural affairs de-

partments. In a few minutes he'll depart with his security detail to address the annual membership gathering of the Chicago Convention and Tourism Bureau, "a \$12 billion industry for the city," Emanuel notes. Later in the day he'll meet with representatives of the city's public employee unions to discuss contracts. After that he'll receive a visit from Israel's ambassador to the U.S. and attend a wake for a recently deceased police officer.

Emanuel rehydrates as he talks, sipping a large glass of water and refilling it from a pitcher on the side table beneath him. He says he arrives at the office after exercising, full of ideas and eager to share them. "You can only count laps for so long," he laughs. "My staff hates my workouts."

### Over the past two decades, Rahm

Emanuel has been one of the most visible and divisive figures in American politics. As a Democratic Party operative and a member of Congress, he was known for his willingness to do anything to win and his penchant for profanity. President Barack Obama, for whom Emanuel served as White House chief of staff, liked to joke that when Emanuel lost part of the middle finger on his right hand, he was

rendered mute. His finger was severed while using a meat slicer in high school, not, as it was later rumored, while serving in the Israeli army.

As mayor, Emanuel has shown a more subdued side. He can still be testy and impatient—on July 21, he stalked out of an interview with a local TV reporter who asked about his decision to send his three kids to private school. Yet there have been no reports of his publicly deploying his favorite four-letter word in City Hall. Since his election in February the partisan slash-and-burn artist has been courting business leaders to invest in Chicago while striving, at least in public, to engage the city's powerful public employee unions, most of whom endorsed his chief opponent in the mayoral race, Gery Chico. Emanuel draws distinctions between himself and Republicans such as Wisconsin Governor Scott Walker and New Jersey Governor Chris Christie who have waged war with their states' workers; he insists that he wants to work with Chicago's unions to find savings. "The bottom line is this is a new Rahm," says Paul Green, director of the Institute for Politics at Roosevelt University in Chicago. "He is the conciliatory, let's-work-together Rahm. He is not

the belligerent, in-your-face Rahm. He's been incredibly congenial."

Emanuel disputes the notion that he has mellowed. "I'm as driven as I always was to get results," he insists. He adds that the media has always exaggerated his image as a short-fused purveyor of blue language. "I'm not saying I don't have colorful language. But it was never as colorful as you guys all love to make it."

Nevertheless, it makes tactical sense for Chicago's new mayor to tone it down. He and his city need all the friends they can get. Emanuel faces a deficit of \$635 million in his 2012 budget. (He says there will be a \$612 million shortfall in the spending plan for the Chicago Public Schools, whose budget is separate from the city's. The mayor controls them both.) Last year a special committee appointed to examine the city's four employee pension funds reported that they were underfunded by \$14.5 billion and would begin to run out of money in "a decade or less." Fixing the problem, it estimated, would cost taxpayers as much as \$710 million a year.

After just two months on the job, Emanuel finds himself in a fiscal predicament similar to that of other big-city mayors. "A mayor's job used to be distributing benefits," says Mitchell Moss, a professor of policy and urban planning at New York University's Wagner Graduate School of Public Service. "Now it's distributing pain." Emanuel often talks about how everybody—including the workforce—will have to sacrifice so that Chicago can get its finances in order. But public employee unions are already balking at Emanuel's moves. And the new mayor has yet to deliver on his talk of rejuvenating the city by luring vast numbers of new private-sector jobs—a monumental task in a weak economy.

The stakes are immense. Emanuel's success or failure could well determine whether Chicago remains a premier American city or suffers the

kind of decline seen in Cleveland or even Detroit. If he can restore the city's fiscal health with the participation of its workforce, he'd be able to portray himself as a new kind of Democrat able to work with labor unions to avoid mass layoffs, as New York Governor Andrew Cuomo did in June. That would greatly improve Emanuel's chances of running for governor of Illinois or the U.S. Senate, though he insists he has no such designs. Even so, it is already apparent that it will be difficult for the new Rahm to achieve his ambitious goals without showing his old face.

#### When Emanuel's predecessor, Richard

M. Daley, attended his final City Council meeting in May after 22 years as Chicago's mayor, he said he had "the greatest job in America." Daley was the last of the big-city Democratic bosses who assembled political machines by dispensing patronage and other favors to their loyalists. He learned how to do it by watching his father, the late Richard J. Daley, who ruled Chicago for 21 years until he died in office in 1976.

Under Daley the younger, Chicago became a glittering showcase for urban renewal. Daley poured hundreds of millions of dollars into high-profile projects such as the construction of Millennium Park with its Frank Gehry-designed band shell. He razed the Cabrini-Green public housing project, which had become a national symbol of urban blight, and resurrected the city's decrepit downtown. In Daley's final years in office, though, the nature of America's greatest job began to change. In 2002, Chicago's expenses began to outstrip its revenues, in large part because of the city's public employee unions, which made it nearly impossible to slow rising salaries and benefits.

Daley's solution was to privatize some of Chicago's assets. In 2005 the city leased the Chicago Skyway toll road for 99 years to a consortium of Spanish and Australian investors for \$1.8 billion. Three years ago the city turned over its parking meters to a Morgan Stanley-led partnership for \$1.15 billion. Then the economy collapsed, and Daley exhausted almost all the privatization spoils plugging Chicago's steadily widening deficit. "One of the things that upsets residents is how so much of the city's assets have been sold off, and now we have very little to show for it," says Lau-

The mayor gets briefed at a visit to Kennedy King College on the South Side



rence Msall, president of the Civic Federation, a nonpartisan fiscal watchdog group. After the parking meter deal closed, Bloomberg News reported that Morgan Stanley expected to reap \$11 billion over the span of the 75-year contract. This suggested the city had been snookered. (Daley did not respond to numerous interview requests from *Bloomberg Businessweek*.)

Daley left his successor the unenviable choice of raising taxes or slashing spending to eliminate persistent deficits. Emanuel argues that his solution to Chicago's fiscal crisis doesn't have to be quite so binary. He's ruled out increasing taxes for the time being. He's also vowed to trim the municipal agencies that Daley manipulated with such gusto. "We simply can't afford the size of city government that we have had in the past," Emanuel said at his May 16 swearing-in ceremony.

Many of his key appointees come from the corporate world. Mark Angelson, Emanuel's deputy mayor, is the former chief executive officer of printing company R.R. Donnelley & Sons and is known for his cost-cutting zeal. Lois Scott, the new administration's chief financial officer, was previously president of a firm that counseled government agencies on privatization efforts. The mayor's chief technology officer, former IBM executive John Tolva, has a white board in his office with the question, "What is the user experience

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**Emanuel's success or failure could determine whether Chicago suffers the same fate as Cleveland and Detroit**

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“high-quality, high-paying jobs” in the city in the next two years. “That brings us to—not that I’m counting—but 3,000 jobs in 40 days,” Emanuel boasts.

The reporters at the event, however, are more interested in something else. The mayor is facing a \$31 million shortfall in the budget prepared by the departing Daley administration. The budget had anticipated annual savings of twice that amount, through a program requiring employees to take unpaid furlough days. Yet the furlough deal with the city’s unions is set to expire on June 30—only two days away—with six months to go in Chicago’s fiscal year.

Emanuel had already stated publicly that he might need to lay off as many as 625 workers to balance the budget, but he hoped to collaborate with the unions to find work rule changes that would achieve the same end without job losses. The Chicago Federation of Labor promised to present its own ideas, but the mayor didn’t have a deal yet.

He insists there’s nothing to worry about. “There is a way to get there,” Emanuel says, sounding as if he is striving to keep his temper in check. “I didn’t wake up this week and say, ‘Oh wow. We have to focus on this.’ We’ve been working on this for a while. We’ve had meetings [with union leaders]. I have ideas about how to solve this. I’ve asked them to come forward with their ideas. And they will.”

**For most of his career, Emanuel has** been well served by his combativeness. He was born in Chicago, though he grew up outside the city in the wealthy suburb of Wilmette, Ill. His mother had been a civil rights activist and marched with Martin Luther King Jr. in the Sixties, his father a pediatrician who was a medic in the 1948 Arab-Israeli War. The second of three sons, Emanuel was offered a scholarship to study with Chicago’s Joffrey Ballet but went into politics instead after graduating from Sarah Lawrence College in 1981. He worked his way up in the trade, raising money for Daley and former Illinois Senator Paul Simon.

After working as a key fundraiser for Bill Clinton’s 1992 campaign, he landed a position as the new President’s chief political adviser. He spent five years in the White House before heading back to Chicago to make some money. One of the first places he looked for a job was GTCR, a private equity firm. “I hear you have

of Chicago?” The answer, he says: Not so good.

Emanuel is also working his Washington connections to get large, publicly traded companies to bring more jobs to Chicago. “There is not a day that I am not working on it multiple times—that includes the weekend,” he says. In his first 30 days in office, the mayor won commitments from United Continental, GE Capital, and Motorola Solutions to add 2,700 jobs in the city, all without offering financial incentives, as governments typically do. He’s tripled the number of board members of World Business Chicago, a public-private partnership founded by Daley in 1999 to attract companies to the city. Emanuel’s new appointees include such prestigious names as former Treasury Secretary Henry Paulson, now a senior fellow at the University of Chicago, and Groupon co-founder Eric Lefkofsky.

Emanuel hopes his job creation initiatives enable him to do more than simply preach the need for fiscal austerity. “I want to change the value proposition,” he

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says. “If I just say, ‘We can’t do this’ or ‘We can’t afford that,’ it’s just root canal all day long to the public and organized labor.”

Still, for all the time Emanuel spends cultivating the business community, he can’t escape the specter of a confrontation with the public employee unions. That was evident earlier this summer on a visit to Allscripts, an electronic-health-records company. The mayor, in good spirits, greets Allscripts CEO Glen Tullman with a slap on the back and “Hey, buddy!”

Tullman, a square-jawed guy with rugged good looks, gives the mayor a tour of the corporate offices overlooking the Chicago River. Emanuel has his picture taken with a woman who is celebrating her birthday. “What do you do here?” he asks, stepping into her windowless office.

“I’m an accountant,” the woman says.

“Can we get her a window in here?” the mayor asks Tullman. Everyone laughs. “I’m not going to make the announcement until she gets a window,” he says, smiling.

Tullman leads Emanuel down the hall and presents him with a tracksuit emblazoned with the company logo. “Dude, this is why you run for mayor,” says Emanuel. “So you can do your wardrobe over—and over.”

Emanuel and Tullman enter an audiovisual room where television camera crews are waiting. The mayor announces that Allscripts will be adding 300

the best firm in Chicago,” Emanuel told Bruce Rauner, one of the firm’s principals. “I want to be a partner.”

“I have 65 people ahead of you with the same goal,” said Rauner, a rare Chicago Republican. “You’ve never been in business. You don’t know what a balance sheet is. You are a Democrat. You can’t add.”

Rauner suggested Emanuel might be better as an investment banker. The following week, Emanuel telephoned him. He was now a partner at an investment bank run by the late Bruce Wasserstein. He wanted GTCR’s business. Rauner says Emanuel turned out to be the best investment banker he’s ever worked with, although Rauner says, “I still don’t think he knows what a balance sheet is.”

In 2002, Emanuel was elected as congressman representing Chicago’s 5th District. He became chairman of the Democratic Congressional Campaign Committee, engineering his party’s short-lived takeover of the House of Representatives in 2006. Two years later, President-elect Obama asked him to join the White House as chief of staff.

It was an exhausting experience. Many Republicans saw him as Obama’s attack dog. Liberal commentators complained he was too eager to cut deals that watered down the President’s domestic initiatives. As the Democratic Party suffered setbacks—such as Massachusetts Republican Scott Brown’s surprise victory in the January 2010 special election for the late Ted Kennedy’s former Senate seat—the knives came out for Emanuel. “The pose of choice in Washington is the pointed finger,” laments his longtime friend, David Axelrod, Obama’s senior reelection campaign strategist. “When you are chief of staff, the finger is going to be pointed at you a lot of the time.”

When Daley announced last Septem-

## Emanuel has sought to make it clear that he won’t tolerate business as usual from the city’s workforce

ber that he would not seek a seventh term, few were surprised when Emanuel said he would leave the White House to pursue his long-held “aspiration” of being mayor of Chicago. “This is what you have wanted since you were young,” his brother, Ari, a prominent Hollywood agent, told him. “You cannot not go for it.”

**It was clearly a campaign strategy** for Emanuel to soften his image. Having raised \$14.5 million, he wooed Chicagoans with ads emphasizing his emotional connection to their city. In one spot, his voice began to falter as if he was on the verge of tears. “We can’t have parts of this city where kids are going to school with nothing in their eyes, no sense of hope,” the candidate said.

At the same time he sought to make it clear he wouldn’t tolerate business as usual from the city’s workforce. “We’re going to deliver a service to the taxpayers. We’re going to get them the best price for what they pay for,” Emanuel said in another ad. “And that means making sure that everyone that works for the city government knows that they’re actually a public servant representing and helping the people that pay them.”

Chicago labor leaders were furious. “Emanuel should withdraw this ad now and apologize,” said AFSCME Council 31 Executive Director Henry Bayer in a statement. Emanuel, though, was hardly contrite. He noted that a third of Chicago’s sanitation workers are

absent on an average day, a figure disputed by Lou Phillips, business manager for Laborers Local 1001, the union representing them.

On Feb. 22, Emanuel won 55 percent of the vote in a six-candidate race. Even before he moved into City Hall, Emanuel began to assert himself. He successfully lobbied the state legislature to pass an education reform bill that makes it harder for teachers to strike, by requiring their union to win approval from 75 percent of its voting members rather than a simple majority of those who show up for a meeting to consider a possible walkout. The bill also will make it easier to extend instruction time in the city’s schools, which is the shortest of any of the 10-largest urban districts in the U.S.

His jobs push also started early. At a Chicago Bulls playoff game on Apr. 26, three weeks before being sworn in, Emanuel collared Greg Brown, CEO of Motorola Solutions, the Schaumburg (Ill.) company that spun off its ailing mobile-phone division in January and now concentrates on making walkie-talkies and bar-code scanners. Emanuel wanted Brown to add more jobs in Motorola’s Chicago office. “What do I have to do to convince you that Chicago is right for you?” Emanuel asked. Over the next few weeks, he continued to call and e-mail Brown. Finally, Brown said: “I think we can do about 150 to 200 jobs.”

“You can do more than that,” Emanuel insisted.

“Rahm, jobs don’t grow on trees,” Brown replied.

“I know you can do more,” Emanuel said.

On June 14, Brown said he would be adding a total of 400 jobs in the city. Emanuel joked that the CEO of Motorola would be changing his cell-phone number and his e-mail address soon. Brown didn’t disagree: “Rahm is a pit bull about economic expansion and growth.”

Since taking office on May 16, Emanuel has released a fusillade of initiatives in an effort to show he is taking Chicago in a new direction. On his first day he lopped \$75 million from the city budget. Soon after he did the same with Chicago’s schools budget. He took 750 police officers from what he referred

to dismissively as “top-heavy specialized units” and redeployed them to fight neigh-

Emanuel fields questions at a town hall meeting conducted on Facebook



borhood street crime. Whenever possible, he touted his jobs programs. And he began to move on the city's unions. On June 15, at Emanuel's urging, the Chicago School Board rescinded a previously negotiated 4 percent raise for the city's teachers, saving \$100 million. "It's going to be an interesting summer," Karen Lewis, president of the Chicago Teachers Union, told a local radio station. She didn't rule out the possibility of a strike, although with the new state law in place, it won't be so easy. (The CTU declined to comment for this article.)

Emanuel's willingness to confront organized labor hasn't gone unnoticed outside of Chicago. "He is not a starry-eyed liberal," says U.S. Representative Tom Cole (R-Okla.), who served with the mayor in Congress and considers him a friend. "He is going to a Democratic constituency and asking them to make sacrifices because it has to happen fiscally. Any rock-ribbed Republican would look at that and think, 'That's exactly right.'"

**Emanuel's battles are just beginning.** The day after the Allscripts event, he visits a Walgreens store in the low-income Englewood neighborhood. Excited shoppers snap the mayor's picture as he walks through the aisles with Walgreens CEO Gregory Wasson. Emanuel waves for them to come over. "Ladies, can I fill your prescription?" he asks playfully. "I'm the son of a doctor."

When a press conference begins in front of a fruit and vegetable stand near the store's entrance, Emanuel commits a gaffe. "I'm glad to be here with the Wal-Mart family," he says.

"Wal-Mart?" someone asks. The store erupts with groans and laughter.

Emanuel presses on. He says Walgreens is adding 600 jobs in Chicago. Half the new positions will be in new stores in areas like this. The rest will be e-commerce positions in the central business district. "I want to compliment Greg and the entire Walgreens family for investing in our downtown and our neighborhoods," Emanuel says.

"I really enjoy working with the new mayor," Wasson says. "He's not waiting around. He is full of energy. He is energetic. He loves Wal ... greens!"

Emanuel's talks with city union leaders, however, have not gone so well. The furlough agreement is set to expire the next day. Emanuel tells reporters he



Home team: Emanuel with United execs, first graders, and Walgreens reps

can't comment because nothing has been completed. The questions keep coming, and he grows petulant. "Wouldn't you like to be a fly on the wall, Charles?" Emanuel says, mocking one of his more persistent questioners. "I'm enjoying the fact that you can't."

A local television reporter asks him, "How do you square your message about growing jobs and laying off people at the same time?"

Emanuel purses his lips. "It's not necessary to lay people off," he responds. "You can employ people and balance the budget."

"So they have until midnight on June 30?" asks *Chicago Sun-Times* city hall reporter Fran Spielman.

"Fran, I know you love confrontation," Emanuel replies. "But that's not the way I'm looking at it."

Two weeks later, Emanuel announces he will lay off as many as 625 workers to close the \$31 million gap and will privatize some of the city's operations, including janitorial duties at its airports and libraries. He says he offered labor leaders compromises that would have saved some jobs, such as requiring city employees to work 40 hours a week instead of 35 and reducing overtime pay

from double time to time and a half. But he says the unions didn't embrace them and didn't come forward with their own ideas. In a subsequent interview he took a jab at union leaders. "They decided work rules trump workers," he says. "I don't believe that, but that's their choice and that's where we are."

Labor leaders accuse Emanuel of being disingenuous. "He says, 'Oh yeah, I want to be partners with the unions,'" complains Henry Bayer of AFSCME. "But he is out there almost daily attacking city employees as he did in his campaign. I think he is campaigning rather than governing." (Eleven days after Emanuel's layoff announcement, labor leaders come forth with their own cost-cutting ideas, which they claim will save \$242 million. Their proposals call for reducing the city government's middle management layers, but not for eliminating costly work rules as the mayor seeks to do.)

In the meantime, Emanuel's tougher line may be yielding results. In late July the Cement Masons Local 502 had broken ranks with the city's other unions and agreed to lower overtime rates. Emanuel says, "It's not a lot of workers, but it's a start. I'm going to be bringing those workers back on."

Emanuel's summer skirmishes are just a prelude to the negotiations that will soon take place with the unions over closing the even bigger deficit in next year's spending plan. "I see it as Act One in a longer play that begins with the announcement of the [2012] city budget in September," says Dick Simpson, a former alderman who is now a political science professor at the University of Illinois at Chicago.

Emanuel will have to wrest deeper concessions from his workforce if he wants Chicago to serve as an example for the rest of the country of how, in an era of fiscal scarcity, big-city governments can work again. Sustaining support for that effort will also require him to replace the old public-sector jobs with private ones. Both Emanuel's future and his city's ultimately ride on how effectively his vaunted political skills can be applied to reinventing the urban economy, one job at a time.

The new mayor doesn't act like he has any intention of failing. "Last night, I had dinner with Rich Daley," Emanuel says. "I told him, 'This is even better than you described it.'" **B**

**"He is not a starry-eyed liberal," says one Republican. "He is asking [Democrats] to make sacrifices"**