

CHAPTER 8

# U.S. Metros: Building Blocks of American Prosperity?

can metropolitan regions—america’s “real cities” of the 21st century—be the centerpiece of the United States’ positioning for prosperity in a challenging global era?

Yes, they can, and indeed they must. The great cities and their suburban rings—reservoirs of the nation’s greatest wealth, higher learning, cultural institutions, corporate skill, and talented professionals—encompass the central core of the assets that the United States needs to mobilize effectively if it hopes to face rising worldwide economic competition, deal with environmental perils, and build a more inclusive, more resilient American society.

metros matter

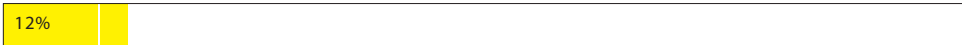
The “metros matter” message, conceived by leaders of the Brookings Institution’s Metropolitan Policy Program, was examined, debated, and enthusiastically endorsed by a group of public officials, business executives, foundation officers, and policy experts at the Summit. Their deliberations contributed to a Brookings policy initiative launched publicly in November 2007 with a tantalizing objective: “Blueprint for American Prosperity—Unleashing the Potential of a Metropolitan Nation.”

The goal, said Bruce Katz, director of the Metropolitan Policy Project, which planned this Summit session, is: to inject a new metropolitan-based view to influence the focus of debate—but not the outcome—of the 2008 presidential election. It will be, Katz noted, the first election since 1952 without an incumbent on either major party’s presidential ticket, opening up the possibility for a serious discussion of new and potentially exciting policy directions.

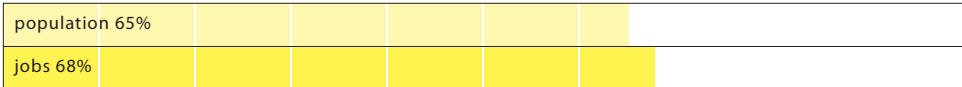
# major u.s. metros as national prosperity drivers

Percentage of national activity in 100 largest metro areas, various indicators, 2005

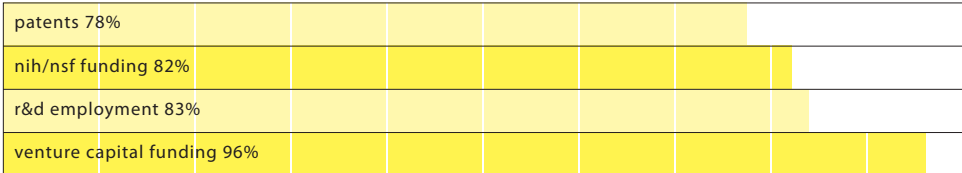
## land area



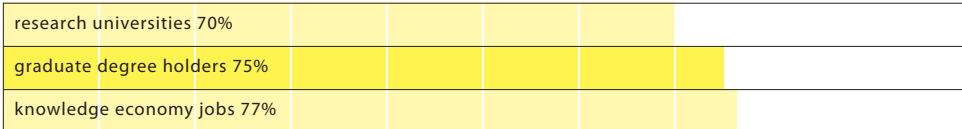
## population and economy



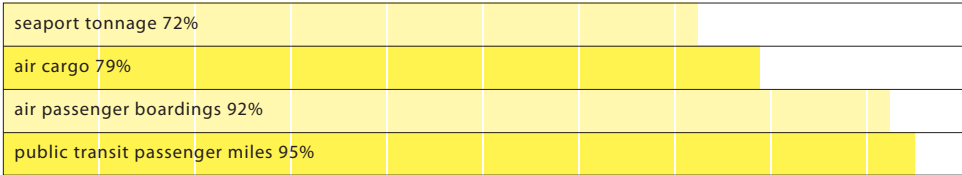
## innovation



## human capital



## infrastructure



## national total



0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Credit: The Brookings Institution, Metropolitan Policy Program

But the objective, participants repeatedly underscored, was not to magnify the role of metropolitan regions for their own sake. Rather, “it’s to win, compete, and move the country forward,” generating broadened personal opportunity and sustainable development, noted Rey Ramsey, technology expert and founder/chief executive officer of One Economy Corporation. Or, in the words of Jeremy Nowak of the Philadelphia-based Reinvestment Fund, to demonstrate to ourselves “that America is a country organized for success.”

National policy innovation, Robert Yaro of the New York City-based Regional Plan Association commented, has been paralyzed by a generation-long “disbelief in and disdain for federal leadership.” The moment is ripe, he argued, “for an activist government that rises above the dogma of Left and Right and spells out a role for the federal government in which it doesn’t dominate metro areas and states, but charts a course for the whole country—a program of activist, progressive leadership.”

### u.s. challenges and shortcomings

By some measures the United States seems so economically strong it should have few concerns. Its economy has long been the world’s most productive; in terms of total output the U.S. Gross Domestic Product (GDP) of \$12.4 trillion in 2005 was nearly triple that of Japan’s, the closest competitor. Twenty-two of the world’s most productive city regions (measured by GDP per capita) are in the United States, including such globally connected metros as New York, San Francisco, Washington, Los Angeles, Seattle and Houston.

## Metros Triumphant — and Challenged

a dispersed America — people continuing to spread out, leaving metropolitan areas — was widely prophesied in the 1970s. But the projections were dead wrong, Brookings' Bruce Katz noted at the Summit. Despite popular writing about a "flat" world, he said, population and economic activity actually moved increasingly into metropolitan centers, both in the United States and internationally. The more relevant metaphor is author Richard Florida's word — spikiness — as a glimpse at a world map of economic activity clusters suggests. On the population side, latest figures indicate North America is now 81 percent urban, Western Europe 77 percent, and Australia/New Zealand 88 percent.

But why — again in Katz's words — are metro regions, especially the top 100 in population, "punching way above their weight in innovative value-laden growth"?

It's their high productivity per worker, and their capacity to take advantage of worker specialization in an ever-more variegated global economy, Alan Berube of Brookings explained. With substantial population and thus many workers, larger metro regions provide an easier "match" when companies look for employees with particular skills. Major financial and service institutions are more likely to be present. Knowledge "spillover" occurs more spontaneously among the many people and firms of a denser area. Big, high-quality facilities — major highways, leading universities, top-tier libraries, auditoriums and museums, quality public transit systems as an alternative to auto use — are feasible because many people share their costs.

As Berube noted in a research paper for the sessions, "Today information — for instance the price of light sweet crude oil on the New York Mercantile Exchange — can be transmitted quickly and cheaply over long distances, reducing the need for proximity to facilitate those exchanges. But knowledge, especially tacit knowledge — that which cannot be codified, but only understood through training and personal experience — is notoriously averse to transmission over long distances. Thus, IT consulting firms might outsource the development of discrete modules to programmers in India or Estonia, but still continue to rely on in-house, face-to-face interaction between highly trained workers and clients in order to develop sophisticated systems design."

Larger metros draw more venture capital investment, direct foreign investment and R&D funding. High land costs, which one might assume would be a major competitive downer for these larger metros, are not the problem one might assume, Berube noted. The host of industries in which the United States increasingly specializes — high technology, life sciences, finance, consulting, and the like — are not land intensive. That sets them apart from manufacturing, which has increasingly decamped for small metropolitan and rural areas in the South, Midwest, and abroad.

Quality of place spells another major plus for many metros. Highly educated workers, able to find work in any region (or for that matter any nation) they prefer, often opt for places with diversity, broad ranges of housing styles, varieties of neighborhoods, and strong cultural and entertainment offerings. Two-earner, college-educated couples, rising in numbers in recent years, are drawn to larger metro areas and their potential for superior job matches. Skilled young workers are able to switch jobs and increase their incomes more easily. And there is strong evidence, Berube reported, that large cities and metros innovate more — produce more patents, for example — because their dense clusters of employment promote productive knowledge “spillovers” between firms and professions.

It is true that a number of smaller metropolitan and micropolitan areas — St. George, Utah; Bend, Oregon; Hanover, New Hampshire; for example — have grown rapidly in recent years, either because of major universities or exceptional natural amenities. But in a nation with rapidly growing minorities (by 2050 only 48 percent of working-age Americans will be non-Hispanic white) and dramatically declining household sizes (3.4 in 1950, 2.6 today), it is very likely that demand will remain strong for the diverse array of quality places that large metropolitan areas provide.

Yet for all their advantages, the nation’s metros face a range of major challenges holding back their collective prosperity — and thereby the United States as a whole.

Collectively, metros have experienced a slowdown in productivity growth since mid-decade. Most have pockets of mediocre if not extremely poor schools, with alarmingly low graduation rates. Significant numbers of their residents exhibit poor credit histories (a situation exacerbated by

the 2007 to 2008 subprime mortgage lending emergency). Many roadways are in poor condition and often congested, and most metros' public transit systems lag far below the quality level of other industrialized nations. The sprawling development patterns and high per-capita vehicle miles traveled leave the areas extremely exposed in the event of a global energy crisis, even while generating heavy amounts of greenhouse gases.

Thus there is a need, the Summit panelists agreed, to develop an aggressive, metro-focused U.S. development policy on every front, from research-and-development breakthroughs to human capital development to more conserving transportation land use policies.

stiff new global  
competition

Still, the American economic powerhouse faces stiff new global competition. Market reforms in China and India have unleashed awesome new investment and economic power; overall the size of the global labor force has doubled in a decade and a half, with more and more educated workers—for example, there are currently some 2 million Chinese university graduates a year. Indian universities produce 260,000 engineering graduates yearly, compared to a disappointing total of 200,000 in the United States. And in terms of basic infrastructure investment—new roads, railways systems, ports, and airports—Asia and other world regions are leaping ahead of the United States, which often seems unable to maintain the facilities it built decades ago.

Growing  
inequities  
in the labor  
market

Growing inequities in the labor market throw a long shadow over the image of the United States as a land of opportunity for the broad masses. The nation's highly educated workers have seen their wages rise sharply over the last three decades, while those of less-educated workers have stagnated or, in real dollars, deteriorated, with housing, transportation, and medical care consuming more and more of their disposable income. Wealth building is proving especially difficult for immigrants and African-Americans, a problem of growing scale as African-Americans and Latinos expand to make up an estimated 40 percent of the national workforce by 2050.

U.S. skills for global competitiveness may well suffer in the coming decades as baby boomers, the 78 million Americans born between 1946 and 1964, retire in high numbers. Overall

workforce  
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will slow  
dramatically

workforce growth will slow dramatically, raising the specter of severe shortages in some high-skill areas. By 2050, non-Hispanic whites will be a minority of the labor force. New workforce entrants will be heavily Hispanic and African-American—a severe handicap unless radical improvements can be made in these groups’ seriously lagging educational attainment. High proportions of Latinos and African-Americans drop out of school before high school graduation, and fewer still (ten or fewer out of 100 who entered ninth grade in 2001, for example) are expected to both complete high school and earn a post-secondary degree, according to the National Center for Public Policy and High Education.

environmental  
stress

Finally, the United States may be headed into severe and threatening environmental stress. Even as rising carbon-dioxide emissions exacerbate perils of coastline flooding, droughts, and wildfires, the country remains, on a per capita basis, by far and away the world’s largest single emitter of greenhouse gases. It continues to be reliant on highly costly and unreliable oil supplies for more than 60 percent of its petroleum use. Rising world energy prices may pose serious threats to the national economy; a major global oil crisis could deal a crippling blow. With dangers to U.S. ecosystems already on the rise, environmental pressures are sure to intensify as the country adds its projected 120 million additional people by 2050, a population rise only India and China are projected to exceed.

## a new growth scenario

What policies would unleash American skills, intelligence, and knowledge to provide a more secure and prosperous future for the nation's citizens and communities?

Three types of growth are critical to achieving true prosperity for the United States, the Brookings researchers concluded. And they are all closely interconnected, and interdependent:

- **Productive growth:** not just in raw numbers, but growth that is centered in innovation and entrepreneurship that generates high-quality jobs and helps the United States maintain its global economic leadership.
- **Inclusive growth:** conscious outreach to racial minorities, struggling recent immigrants, and others lagging in education and income to help them gain qualifications for higher-income work and become part of a strong and diverse American middle class.
- **Environmentally sustainable growth:** conserving the nation's natural resources, growing green, advancing efforts to address climate change and greater U.S. energy independence. Quality infrastructure, including world-class roads, transit and ports, and telecommunications and broadband networks, is a critically important element because it determines how efficiently goods, people, and information can travel within and across markets.

But sustainable growth underscores the need for infrastructure and growth patterns that improve air quality, conserve land and natural resources, and reduce Americans'

## Euro Models: Discreetly Pro-Metro

metro regions as key to national and continent-wide prosperity have risen rapidly in recent years on the agendas of several European nations and the European Union — though in a fairly quiet way, partly to avert resistance by more rural areas.

Germany, for example, developed a finely attuned post–World War II federal system: strong states (Länder) and local governments with clear planning powers, increasingly recognized metropolitan regions, and a federal government seeking to aid and abet without stirring up political disputes. Without a great deal of publicity the federal government has a key focus “on creating clusters of knowledge, to foster cooperation, so that our 11 metro regions are able to compete with international mega regions,” Oliver Weigel, head of the German Federal Ministry of Transport, Building, and Urban Affairs, told the Global Summit panelists. (See Sidebar, “Germany’s Federalist Solution,” p. 305 in Chapter 7.)

Great Britain, by contrast, shifted dramatically with Labour’s rise to power in 1997. Up to then, the prevailing notion had been of England as a rural nation with cities relegated to the margins; in 1986 Prime Minister Margaret Thatcher actually abolished the Greater London Council, the capital region’s governing body. Tony Blair’s government shifted radically, first with an array of disparate urban initiatives, then in a more deliberate process of negotiated Local Area Agreements. But Labour’s goal apparently remained constant: to encourage not only London, but other city regions to reposition themselves as engines of the country’s prosperity.

The emerging British vision, as Bob Kerslake, chief executive of the Sheffield City Council, explained to the panelists, was a national mission to encourage cities, facilitate local public–private partnerships, and create a vision of “prosperity, inclusion and sustainability” (all three values, he said, are “integrally linked — you can’t have one without the other”).

Kerslake used the revival story of Sheffield — 520,000 people in a region of 1.7 million, Britain’s fourth largest city — to illustrate the British urban revival. At one point Sheffield dominated world steel production, only, in the 1970s, to lose a full quarter of its jobs, “knocking the stuffing out of our formerly very proud city.” A first revival step was to tamp down business–government hostility. And second, to rebuild confidence, “from revival to regeneration with a new economy resilient to market changes.”

A Magnificent Seven Projects program — a new Town Hall, Peace

Gardens, and others — was initiated in 2000 as a “visible symbol” of progress, the city declaring itself ideal territory for the private sector to fill in. Major public investment, including British government support and £900 million from European Structural Funds, helped stimulate nearly £2 billion in private funding. Diverse economic projects appeared, including an infusion of financial and legal services. Wages rose, and unemployment fell sharply.

Kerslake did comment that “London is both a massive advantage and a challenge for us. No country can succeed without a global city, with the huge gateway advantages, resources, investment it brings.” But, he added, there is also a disadvantage because London “is such a magnet for people, innovation and investment — it makes it hard for us to get the critical mass now.” His example: “If I’m in London and I get a job in Sheffield, where’s my next job? We need to retain a critical mass of our own knowledge workers.” Sheffield is, though, in the early stages of building its links to Leeds and Manchester, both within a 30-mile radius, adding a region of up to 5 million people that could represent a more powerful collective economic draw.

The European Union, in the meantime, has moved beyond its early (and successful) program of targeted aid to lagging countries — the focus under which Ireland and Spain benefited most dramatically. The participants heard from Joist van Iersel, member of the European Economic and Social Committee, that E.U. leaders grasp that even strong areas have their weaknesses, so therefore it is imperative for strong regions to remain strong. The E.U.’s 2000 Lisbon Strategy actually articulated a top “strategic goal ... to become the most competitive and dynamic knowledge-based economy in the world.”

As yet, said van Iersel, there is no formal E.U. competence, or formal declaration, to focus heavily on assistance to cities and their regions. Yet there’s growing recognition, he added, “that metros are the driving forces in the economic development of Europe.”

In the meantime, he named Germany the star on working directly with its metros, followed by France, Poland, Italy, and the Netherlands. Examples of urban regions significantly aided by their national governments include Bilbao, Stuttgart, Helsinki, and Copenhagen.

The implicit challenge: If Europeans can move in a relatively brief time frame to a competitiveness agenda that increasingly promotes the critical role of metropolitan regions, why not the United States?

world-leading consumption rates of gas and electricity.

And it ties directly to focus on the quality of places: creating and sustaining vibrant downtowns, attractive town centers, and neighborhoods with parks, stores, schools, and places of worship within easy reach. Workers in today's knowledge economy, it's suggested, are increasingly seeking communities of density, diversity, and distinctiveness, even as sprawling, less energy-efficient suburban development, often encroaching on rural lands and valuable ecosystems, declines in relative popularity.

But here is the crux, according to the Brookings analysis: Productivity, inclusivity, sustainable growth are all chiefly attainable in the context of metropolitan areas—the collections of our more densely developed cities, suburbs and counties, tied together by commuting, common-labor markets, shared environments, and civic cultures. And it is within those metro areas that the nation will be able to leverage its key potentials and challenges: economic innovation, human capital, infrastructure that is up to new-century demands, and quality places.

Metros' critical importance, by virtue of their scale, is hard to question. They may also be described—as the writers of this report have in writings over the past two decades—as the “citistates” of the modern global economy. The U.S. Census Bureau defines 363 metros, primarily regions with urban centers of at least 50,000 people and strong area-wide commuting ties. Whole counties are either included or excluded. Alternatively, metros or citistates can be viewed more organically, with

more fluid borders; essentially “the citistate is what the economy does.”

Metros are present across all 50 states—from one in Hawaii to 24 in Texas. And their dominance is indisputable. Cumulatively the top 100 represent just 12 percent of the nation’s land cover, but they also represent

- 65 percent of total U.S. population
- 74 percent of the nation’s GDP
- 74 percent of the nation’s college graduates
- 77 percent of all good-paying “knowledge jobs”
- 78 percent of all patent activity
- 79 percent of the nation’s air cargo
- 79 percent of performing arts establishments
- 82 percent of National Institutes of Health and National Science research funding
- 89 percent of passenger air boardings
- 94 percent of U.S. venture capital funding

Bottom line of the case that the Brookings group presented: “Metros are not part of the national economy. They are the national economy. . . . America is a metropolitan nation.”

### federal barrier—and challenge

But there is a massive problem: America’s federal government is too often a non-partner with regions that are working hard to pull together their resources and address critical problems.

National officials, the Summit participants agreed, are strangely oblivious to the reality that the United States is not so

much a single national economy as a collection of unique and varied metropolitan economies, each dependent on its particular mix of firms, trained workers, quality infrastructure, R&D centers, and sources of capital investment working together.

economic  
clusters of  
metros

The dominant economic clusters of metros illustrates their individuality and special challenges: the New York region in financial services; Twin Cities in biomedical devices; Chicago and San Francisco in pharmaceuticals; Seattle, Dallas, Los Angeles, and Hartford in aerospace; Detroit in motor vehicle parts; Akron in polymers. Specialization also makes the United States competitive globally: the country's ten top metros alone generate 45 percent of the nation's employment in legal and accounting/consulting services.

In regions nationwide, alliances of business, civic, environmental, and neighborhood groups have come together to focus on solving pressing problems and improving competitiveness. The numbers and effectiveness of the alliances have grown exponentially in recent years.

Just a few examples: Greater Dallas, Denver, Charlotte, and Seattle have relied on civic alliances to remake traditional downtowns and catalyze support for new transit systems. Greater Cleveland, Milwaukee and Raleigh-Durham have partnerships focused on research universities, community colleges, and job training to strengthen their economic specialties. Greater Chicago's Metropolis 2020 organization, formed out of the business community but with broad civic and labor support, has worked on such issues as workforce housing, public

broad civic and  
labor support

## The Federal Conundrum

if metros are to be effective players in a 21st century world, how do they cope with the state governments that hold the vast reservoir of constitutionally grounded power in the United States?

Ideally, state governments would recognize metros for what they are: immensely productive wealth producers, partly because of what they still produce through manufacturing, but more so because of all the specialized skills and services, as well as academic and specialized research capacities, that are centered in their cities and suburbs. Metros are the bedrock of states' economic strength.

A smart state would not only seek ways to free its metros to be more productive but would create incentives to make them even more so. One way to do that would be by creating incentives to encourage central cities and inner- and outer-ring suburbs to form alliances for progress — and possibly adding disincentives if they do not.

Sadly, that is seldom the formula. State legislators from urban areas rarely form cohesive teams, and rural state legislators too often view the metros as adversaries, not allies. It is difficult for some metro areas to get permissions to tax themselves — with no burden to taxpayers elsewhere in the state — for roads or public-transit expansion and upkeep.

Ironically, the federal government often treats the states much as the states typically treat their metro regions: with indifference and lack of concern to help them prosper.

Could a new national consensus — to value, challenge, and assist both states and metros — be formed? That is an open question the Brookings' Blueprint for American Prosperity raises. The core idea: leadership from the "top," to help the "bottom" function well, to achieve a more prosperous American future. But would such initiatives have any chance in the complex world of U.S. politics, encumbered as it is with well-developed special interest politics and the constitutional system's built-in checks and balances?

The easy answer is no; such efforts would be unprecedented, doomed from the start. On the other hand, as Summit sessions underscored, the United States (and its global neighbors) face 21st century challenges of unprecedented breadth.

transit, curbing sprawl development, and prisoner reentry. The University of California, San Diego, collaborates with local businesses to breed and grow start-up technology firms by connecting them with faculty research skills and outside corporate investors.

The imperative of this moment, venture capitalist Karen Mills told her fellow panelists at the Summit, “is to integrate around place. Metropolitan transportation, housing, clusters of economic development work most effectively together. Place is central—and the place-based assets have to be aggregated to work well in today’s economy.”

place-based  
assets

But does official Washington encourage, aid and abet, even recognize place-based efforts? Rarely. Almost without exception, federal policy fails to see how metro clusters function to sustain and grow the nation’s economy. Programs and policies that the metros need to mix and match for their particular needs are compartmentalized and fragmented at the federal level. Research, job training, economic development, housing, transportation, and other infrastructure programs are all separated into their own organizational and programmatic boxes. Brookings notes that federal policy related in some way to economic development is spread across nine departments, five independent agencies, and 180 distinct programs. Plus, the federal focus often seems clearly out of date—housing programs pushing to add affordable units just in cities, for example, when more poor people today are living in suburbs as jobs have decentralized.

Nor has official Washington acted early or forthrightly on pressing national issues that impact all regions: boosting the wages of lower-income workers, building state-of-the-art transportation systems linking metros, border-to-border broadband access, or responding to the overriding challenge of climate change.

The Brookings team summarized their case against today's federal government in this way: It is very often absent when it should be present in helping address new issues. It is frequently present when it should be absent (imposing environmental or workforce requirements, for example, that regulate in a way that stunts or distorts local problem-solving). And it is stovepiped, fragmented, unaware of the place-based implications of its policies, and oblivious to the role of constructive local partnerships.

place-based  
implications

The federal establishment is even deficient on the most basic services, shortchanging budgets of such core statistical agencies as the Census Bureau and Bureau of Economic Analysis, which metro regions rely on for transparent and accessible data to guide their policies and decisions. One participant derisively called today's United States "a fact-free zone."

The conclusion: The federal government needs a major overhaul to make it far less formulaic and "one size fits all" as it works with distinctive regions and their distinctive needs. A reformed, remade federal government would lead where it must, engage in crucial areas that demand vision, scope and capacity, and empower metros so that cities and suburbs have

reformed,  
remade federal  
government

the ability to respond to local priorities with federal tools. The United States needs a national government that is organized for success, determines ways to maximize its own effectiveness, and acts to enhance the creative energies of America's states, metros, and the private sector.

One example: Washington should provide metros and local governments with incentives to form and pursue broad partnerships that address core challenges ranging from green building and energy conservation to targeted educational opportunities for new immigrants.

"Critics may say such a policy is about dumping money on 100 or 362 metro regions," Alan Berube, research director of Brookings' Metropolitan Policy Program said. "Our answer must be: these are investments critical to use the advantage of place." Or as another panelist noted: "Each federal investment must be evaluated with transparency for an outcome-based approach. The approach is not a blank check for regions, but a process that evaluates the dollar return, progress in labor market returns, using new green infrastructure, saving energy. And applying the federal data that's lacking today to make sound decisions, to judge efforts realistically."

### making the metro case

popularize the  
metro message

To popularize the metro message across the United States, interjecting it into 2008 election debate and beyond, the Brookings team described an elaborate campaign to "grow a network" and build partnerships in several dozen regions,

## Henry Cisneros on a Metropolitan Nation

Excerpts from remarks by former U.S. Housing and Urban Development Secretary Henry Cisneros at the November 2007 Brookings Institution launch of its Blueprint for American Prosperity:

over the last decades, metropolitan areas that were little more than towns 50 years ago have become pillars of the national economy: Atlanta in communications, Charlotte in finance, Miami in trade and banking, San Diego in the biosciences, and San Jose in technology. The evidence is abundant: In American history the metropolitan economies drive the way the nation works.

In American history urban places have been home to our churches, temples, museums, symphony halls, opera houses, ballparks, stadiums, convention venues, and conference centers. Imagine how much poorer our nation would be without the National Cathedral in Washington, the Getty Center in Los Angeles, the Statue of Liberty and Central Park in New York, the Museum of Natural History in Chicago, the Opera House in San Francisco, Camden Yards in Baltimore ...

Our urban places give us identity and celebrate our common purpose. We capture that magic even in the names of the athletic teams that describe our urban history: the Pittsburgh Steelers, the Seattle Mariners, the Dallas Cowboys, the San Francisco Forty-Niners, and, yes, the New York Mets — the Metropolitans. The metropolitan places are where America comes together.

Metropolitan areas provided the stepping stones to a better life, the route to American middle class for so many — the route of the Irish of Boston, the Poles of Detroit, the Slavs of Cleveland, the Jews of New York, the Germans of Milwaukee, the Swedes of Minneapolis, the Chinese of San Francisco, the Latinos of San Antonio, and the Vietnamese of Anaheim.

Just as metropolitan areas have been engines for some of the greatest advances in American history so too can they serve the 21st century imperatives of national progress.

Metropolitan areas can sustain work and the hope of advancement when 76 percent of the nation's knowledge jobs are in the 100 largest metropolitan areas.

Metropolitan areas can support learning that will unleash human ingenuity when 74 percent of the tier-one research institutions are in those 100 largest.

Metropolitan areas can uplift our spirits when critical masses of the nation's creative talent flourish there.

Metropolitan areas are home to the neighborhoods where we can preserve safety and dignity and family peace of mind.

Metropolitan areas are places where we must govern ourselves with optimism and inclusiveness when 76 percent of our GDP is generated in only 100 urban places.

Metropolitan areas are the places where our nation can address the challenges of our times. In the new century, we can be a nation with an economy that has the competitive attributes to succeed in global competition, even as we prepare the way for a new middle class.

There is no question that we Americans are facing massive competition in the years to come. Yet even as we compete with forces that drive wages down in a global context, we must build the new American middle class. To do so we have to energize metropolitan schools and build the urban technological infrastructure.

We can be a nation that integrates its people and that helps lower-income families and immigrants raise their incomes and accumulate assets. We must create excellence in urban schools from kindergarten through college, extend home ownership, create pathways to higher education, open access to the financial system, and strengthen the portal role of urban areas for immigrants.

We can be a nation that wisely uses its physical gifts, uses less land, uses fewer natural resources, and creates sustainable places. To do so we must modernize our infrastructure and build smartly.

The Brookings Institution is right to drive a national conversation about a new partnership, about how we use our national resources rather than leave urban governments on their own, about how we create incentives to cooperate across the boundaries of city and suburb, artificial boundaries that disappear when an urban area is viewed from a plane at night.

Some of our nation's great historic epics, the truly important dynamics that have built the foundation of our way of life — our economic maturation over time, our acceptance of immigrants, the processes of democratic participation, the ascent of the middle class, the emergence of public education as the force it has been — have been so transformative because of our urban and metropolitan places.

The continuing challenges before us in the new century — creating inclusiveness of opportunity, harnessing human potential, integrating new Americans to play their part in civic action and leadership, growing in wise and responsible ways — must be addressed in the metropolitan places, the places that we built, the places that we need, and the places we love. In this way we will keep our country strong.

building (or connecting to) broad coalitions of business, university, and public officials in each. The media—including major newspapers, whose own market areas are naturally metrowide—would also be engaged, starting with meetings with editorial boards.

Moving beyond the message, the campaign would work to empower metro coalitions by providing them with quality research and important connections to help them 1) develop initiatives tailored to their own regions, and 2) combine their efforts so they can more effectively express their priorities on the national stage.

Then, from the Washington side, Brookings' campaign would seek to convince federal policy makers of the critical role that metros play in achieving key national goals.

The Summit participants, however, had no illusions about the potential difficulty of promoting the idea of metro regions—all evidence notwithstanding—as centerpieces of the future national economy. In fact, it was noted, metros are not often recognized for their value, not in local politics, not in state politics, and rarely in national policy.

The Advisory Commission on Intergovernmental Relations, which had begun examination of metros' roles, was allowed to expire under the Reagan administration. Very few of the Metropolitan Planning Organizations (MPOs) designed in federal transportation legislation since the first ISTEA (Intermodal Surface Transportation Act) legislation in 1992 have gone far beyond a log-rolling exercise in choice of

promoting the  
idea of metro  
regions

local transportation projects. And in general American life, the word metro hasn't and doesn't generate warm feelings.

Another danger several participants saw: The "nightmare," in the words of former Washington, DC, Mayor Anthony Williams, "that this initiative gets labeled tax and spend—more money for big cities and housing."

Others cautioned: make sure the agenda is not seen as a "command economy" effort, but rather an effort to give choices and opportunities to metro areas, allowing them to fulfill their potential as the nation's cutting economic edge.

Strategies must also be found, participants said, to make clear to the "white areas" on the map—those outside the United States' 362 metropolitan regions—that they, too, will benefit from a more competitive national economy in which the metros will inevitably take a lead role. The Brookings team has sought to lessen any anti-metro backlash with three points:

1. Much of rural America lies within metropolitan America. Fifty-one percent of all U.S. rural residents actually live in suburban or exurban counties located within metros.
2. Many professionals who prefer small-town or rural environments work there, contribute to local economies and civic life, sometimes starting local firms, even though they may continue to commute electronically, or occasionally in person, to headquarters in larger metro areas. Globally competitive firms, typically headquartered in large metros, often have manufacturing or other spin-off activities (call centers, for example) in less-urban places to take advantage of their

a more  
competitive  
national  
economy

lower-cost labor and less-expensive office space. Often their operations become mainstays of rural-area employment bases.

3. Agriculture ties rural places (producing most of the nation's food supply) to urban places (the chief consumers). Increasingly, urban farmers' markets and niche grocers have become major new customers for rural growers' sale of fresh and/or organic foods. Rural and small-town places with natural resource attractions also depend on metro areas for the bulk of their customers.

Still, the Summit panelists saw compelling need for a proactive education and advocacy campaign to sell all Americans—residents of metro areas included—on metros' importance to American life and economy. Critical to the metro "sell": The idea that these regions are not only critical to the national economy, but able to play that role because of their multiple assets and connections.

metros'  
importance to  
American life

The overarching themes, developed by participants: "Unleashing America's Prosperity," "Metros Are Connected Places," and "Together We Win." Or stated a bit differently: "The world is changing. What we value is at stake. We're connected by where we live. Overwhelmingly, we live in, or we relate to, metro areas. Metro areas drive the economy. America must invest. Unleash the potential."

The group also sought to redefine "metro" with connective, appealing language, deliberately downplaying the city-versus-suburb themes that have been popular in media and in

city-versus-  
suburb

local political standoffs through many of the post–World War II decades. The new and alternative “shorthand” embraced by the panelists centered on the concept that “Metros Are Connected Places.” They envisioned a public relations campaign “jolting” Americans in a friendly way to recognize that they do not live in a single city or suburb, but rather in geographically expansive metro regions that enable them to share all manner of valuable resources:

- One or more lively downtowns
- Mixes of historic center-city and ring-city neighborhoods
- Universities and community colleges
- Theaters, museums, and libraries
- Job-providing employment clusters and corporate offices
- A regionwide array of parks and waterfronts
- Interconnected transportation systems
- Sports teams, often the focus of the liveliest regionwide conversations

If “metro” embraces all those, the group was suggesting, what’s not to like? Or if the metro has problem neighborhoods, pollution perils, or common economic challenges, why not work on those challenges together, with shared resources?

work on those  
challenges  
together

### a national–metro policy mix

At and following the Summit sessions, the Brookings policy analysts began to enumerate (and prepare papers on) a broad range of initiatives that a metro-sensitive federal government could and should consider adopting. A sampling:

Boosting innovation, productivity, and growth through a national innovation foundation. It is an axiom of modern economics: Innovation sparks productivity. But the United States is slipping behind major nation competitors in R&D expenditures as a percentage of the GNP—an untenable position for a high-wage, developed 21st century society. One solution: a National Innovation Foundation—a federally funded, “nimble, lean, and collaborative” entity to catalyze cutting-edge productivity growth among firms, industry groups, research universities, and new public–private partnerships.

Energy discovery institutes: repurposing federal energy research for today’s economic and climate challenges. The scale, pace, and design of U.S. energy research is insufficient to ensure the nation’s competitiveness, national security, and ability to respond to global climate change. To reverse that situation, the nation needs both enhanced funding for advanced energy research and a bold new development of highly networked “discovery–innovation institutes” that link research universities to energy labs, venture capital, and the private sector. Two major U.S. regions that might be prime candidates for special analysis and activities: the Great Lakes and the Intermountain West.

Clustering for competitiveness. Regional networks of businesses, industry associations, colleges, universities, and other R&D organizations, even with very informal networking, have been shown to have strong potential in growing industries and service areas appropriate to their specialties, infrastructure,

## Revitalizing Urban Centers: Investing in Education, Housing, and the Environment

# Richard M. Daley



Mayor of Chicago,  
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plenary speaker

education has been my number one priority as mayor of Chicago. Why? Because it is the only long-term solution to ending poverty and, in a world based on information, it's the key to the city's economic success. Without a good education, a person cannot enter the work force. But while the United States boasts the best higher education in the world, basic education is often a third or fourth priority, with high-rated schools often reserved for the privileged.

I was told that it would be a political risk to take control of Chicago's schools away from the independent school board. But the public school system was in total disarray. The deteriorating physical condition of the buildings told children that education didn't matter and the poor academic state seemed to confirm this. I had to do something drastic to transform this huge obstacle to the city's long-term vitality.

With business leaders joining in, we persuaded city taxpayers to spend more than \$5 billion on new construction and major renovations of 45 schools, adding laboratories and gym facilities, converting more than 100 asphalt playgrounds to green campus parks. In turn these improvements to school buildings helped spur revitalization of the surrounding neighborhoods.

On the academic side, our appointed management team emphasized basics such as reading and math, ending the practice of social promotion. Principals and teachers were held accountable for student performance. Other innovations, including charter schools, military academies with tight discipline, and single-sex schools, were encouraged. Despite high poverty rates, the results were better test scores and climbing graduation rates.

My administration also focused on neighborhood facilities beyond schools, since education should not end when school is out. I'd rather see a child with a book than in front of a TV, so we built 52 new libraries, offering free wireless Internet access and rooms for neighborhood groups to gather. Our efforts to leverage city-supported facilities as

community anchors continued as we remodeled police and fire stations, making them more people-friendly.

To aid older residents the city built eight senior centers and added more than 5,000 units of senior housing. In 2000 a major transformation plan for public housing began, another move that political consultants warned me against. But I was deeply disturbed by the state of the high-rise public housing units that Chicago had built from the 1950s to the 1970s, which had become crime-ridden danger zones.

The city began to demolish these high-rises, replacing them with low-rise apartments and townhouses, mixing subsidized units with market-rate rental housing. Our goal was never to blame the people who had been caught in degraded public housing but rather to create attractive new environments to help rebuild souls. Some 15,000 of a planned 25,000 housing units have been rehabilitated or constructed with an effort to integrate developments with new and renovated schools, libraries and fire stations to create a self-sustaining cycle of renewal.

To show how a large city can live in harmony with nature, we also embarked on a major beautification and greening effort. We began one of the nation's most aggressive programs to transform industrial brownfields. We created dedicated nature areas along the banks of the Chicago River. We closed Meigs airfield and plan to turn it into a nature and wetlands area. We reconfigured commercial thoroughfares with planters, street lights, and bike racks. And Chicago is now among the world leaders in green-roofed buildings, with some 400 either built or being developed, including the pioneer rooftop garden at City Hall and the widely acclaimed new Millennium Park, where the nation's largest green roof replaced a gravel parking lot. Next, as part of the ongoing modernization plan for O'Hare Airport, we intend to replace 154 acres of low-quality, inaccessible wetlands currently on airport property with nearly 450 acres of higher-quality wetlands throughout the Chicago area.

It is the cities that pay attention to quality of life — good schools, safe streets, strong neighborhoods, and pathways for walking and biking — that will thrive in the 21st century.

and skilled worker pools. The federal government currently spends more than \$80 million annually on local economic development efforts. But the programs are fragmented, under-leveraged, and unaligned.

Federal funding might prove far more productive if it were shaped and coordinated to stimulate and support cluster activities in promising competitive industries. There is a current model in the Department of Labor's competitive WIRED grants to regions, nominated by their governors, with partnership plans to transform their communities. A broader program might provide one-time \$10 million awards to regional industry clusters on the condition they be industry-led, involve collaborations with multiple research, workforce, and regional development entities, and have the potential create well-paid jobs in the sector.

Community School Compacts. Kalamazoo Progress, launched in 2006, guarantees up-to-100 percent financial support at any Michigan college or university for students who graduate from Kalamazoo's public schools and retain a minimum grade point average. The program has already shown it can motivate students to stay in school, even attracting middle-class families back to the city with its program. Pittsburgh Promise, an effort to adapt the Kalamazoo approach for that city, is being launched with a \$100 million commitment from the University of Pittsburgh Medical Center, contingent on other fund-raising success. An early idea is that the federal government, in partnership with 100 to 300 underperforming

inner-city and older suburb areas, could emulate these types of initiatives. Assuming, for example, the effort were financed as a 50–25–25 federal–state–local matching program, the total cost to all, with 1.5 million students participating, might be about \$15 billion annually. Arguably, the long-term payoffs, in future worker productivity alone, would justify the national and state investment, even while the metropolitan areas stabilize their neighborhoods and build their prospective economies.

“Metro raise.” One of the most successful federal programs in helping low-income families make ends meet in a world of low wages and fierce globalization pressures has been the federal Earned Income Tax Credit (EITC). Especially effective in high-cost-of-living regions, the credit could be expanded to boost incomes, reduce poverty, and make housing more available for metro workers on the low end of the wage scales.

Immigration. The heavy debate about federal immigration policy obscures a critical issue: How will the millions of immigrants of recent years, mostly legal, adjust to life in the United States? They and their children will constitute a growing share of local populations, but federal assistance is scarce to nonexistent. A nationally supported “New Americans Initiative” could help seed state–level public–private partnerships, increasing immigrants’ English language skills, assisting on employment, citizenship, skills training, and related issues, with major benefits to economies from the metro to the national level.

Green building. Detached single-family homes—“the American Dream”—account for nearly half of the 43 percent of carbon emissions arising from the nation’s built environment. A typical home emits 20,000 pounds of carbon annually; just 1 percent of homes are built to green standards. In an era of pressing climate change, the “dream” may require reinvention, starting with a broad variety of already-available but thinly spread energy-saving practices.

Brookings will propose using federal regulatory and fiscal policy to encourage capital markets to invest in green market products, to modernize underwriting and energy-efficiency mortgage lending, give Federal Housing Authority a new energy-efficiency mission, and establish strong incentives for stem-to-stern green features in the millions of homes projected to be built in the next years. In addition to reduced carbon footprint, significant savings for fiscally-pressed homeowners could be achieved.