

Blueprint for American Prosperity
Unleashing the Potential of a Metropolitan Nation



A Blueprint for American Prosperity:
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Thank you Dede for that introduction and for the work that the Federal Reserve Bank of Philadelphia is doing, year in and year out, to sustain a conversation on place.

I also want to acknowledge the presence of many people in this room, who have supported and guided the work of the Brookings Metropolitan Policy Program over the past eleven years. In many respects, our research reflects and builds upon the path-breaking work that you are doing on the ground.

As leaders in your different metros, I know that many of you are confronting challenges like environmental and infrastructure burdens, persistent housing and poverty issues, and the ability to maintain your competitive edge in a global economy.

These are some of the toughest challenges facing any regions in this country, and they deserve to be addressed in this year's presidential contest.

In less than 8 months, we will elect our 44th president. This will be the first election since 1952 when no incumbent president or vice president will run as the nominee of either political party.

But the election and the next administration and congress will be significant for other reasons.

Dynamic forces are transforming the world in which we live, posing stark, urgent challenges for the nation.

To address these challenges, I will contend that the U.S. needs a Blueprint for American Prosperity—a new national vision for federal partnership with state, local, and private sector leaders to strengthen our economy, build a strong and diverse middle class, and grow in environmentally sustainable ways.

This Blueprint must recognize that metropolitan economies are the **engines** of American prosperity, and that this nation's ability to grow and prosper and overcome the adversities of our time is **at risk** unless they are healthy and vital.

In sum, America has become a full fledged Metro Nation and we need to change our mental map of the United States, from a union of 50 states to a network of 363 highly connected, hyper linked, and economically integrated metropolitan areas.

We are a Metro Nation; it is high time to start acting like one.

So let me begin with an initial frame: dynamic forces pose start challenges that test American prosperity.

Our current economic situation is tumultuous, volatile, and uncertain.

A rash of foreclosures has followed a period of loose and reckless lending, and the subprime debacle is weakening the housing and finance sectors, tightening credit and circumscribing consumer spending and confidence. Federal policy-makers are struggling to stimulate the economy and fend off a recession that seems increasingly likely.

But the broader challenges facing our \$13.2 trillion economy – the world's largest by far – are structural and long term.

We are facing **intense global competition** from rising economic powers like China, India, Brazil and Russia. China alone accounted for roughly 30 percent of global economic growth during the first half decade of the 21st century. In fact, a traveler from JFK to Shanghai's modern Pudong airport could be excused for wondering which nation is the world's preeminent economic power and which nation is a "rising" power on the global stage.

And fully half of the Fortune 500 companies in the United States have established off-shoring relationships in India.

We are experiencing **unsettling economic restructuring** at home, as the share of our labor force in manufacturing has declined from 25 percent to 10 percent today. With service industries now employing more than two thirds of our workers, there is a new iron law of wages, namely "the more you learn, the more you earn."

U.S. workers without a high school diploma saw their real wages stay virtually the same over thirty years, in sharp contrast to individuals with college degrees.

The real income gains, of course, are at the upper end of the economy. The top 300,000 earners in our country collectively have almost as much as income as the bottom 150 million – nearly half the population.

We are confronting a **deep racial and ethnic divide** on education and skills ... that threatens our competitiveness since African Americans and Hispanics are slated to grow from about 25 percent to nearly 40 percent of the working age population.

In 2006, only 13 percent of Hispanics and 18 percent of African Americans between the ages of 25 and 44 held a bachelors degree, compared with 34 percent of non-Hispanic whites and 59 percent of Asians in the same age group.

And, finally, we are wrestling with **rapid population and development growth** that is straining our environment. Our nation is already slated to grow by another 120 million people by 2050 – the equivalent of adding another Northeast and Midwest. And we are projected to build another 213 billion square feet of homes, retail facilities, office buildings by 2030 – an amount equivalent to about two thirds of the existing built space in the United States today.

How we accommodate a growing population and economy – whether we break the pattern of “sprawl as usual” – will significantly influence whether we secure our energy independence and forge solutions to climate change.

So here is my second proposition, to prosper in today’s economy, to respond to these profound challenges, our nation must leverage four key assets – innovation, human capital, infrastructure, quality places – that principally concentrate in metropolitan areas.

What matters today?

Innovation matters, because a nation’s ability to invent and exploit new products, processes, and business models, is critical both to compete globally and resolve challenges like climate change.

Human Capital matters, because innovation demands a workforce with levels of education and skills that are continuously furthered and upgraded.

Infrastructure matters, because state-of-the-art transportation, telecommunications and energy distribution are critical to moving goods, ideas and workers quickly and efficiently.

And, ***quality places matter***, because a changing economy, expanding population and challenged environment revalue cities and the attributes of urban places – dense form, diverse populations, distinctive neighborhoods, downtowns and waterfronts.

Leveraging these four assets and maximizing their impact and potential is the only way that the United States can meet our historic challenges.

So where do we find these central assets?

Well they do not exist in the abstract, nor are they evenly distributed across the landscape of nations. Rather, they come together, gather and strengthen in metropolitan America.

Here is the real heart of the American economy – 100 metropolitan areas that after decades of growth constitute 65 percent of our national population and concentrate the workers and firms that fuel the economy.

In the U.S. as abroad, high-value economic activity is clustered in major metropolitan areas.

Globally competitive firms crave proximity – to thick pools of qualified workers, to specialized legal and financial support, to institutions of higher learning, to modern infrastructure, to other firms so that innovations can be rapidly shared.

This is not just an American phenomenon. A majority of the world's population now lives in urban and metropolitan areas; by 2030, that share will grow to 60 percent.

Across the globe, national economies are largely fuelled by metropolitan economies.

There are now over 400 metros in the world with over one million residents, compared to only 12 in 1900 and 83 in 1950.

There are now 20 mega-metros with populations of more than 10 million people – only two of which, New York and Los Angeles, are in the United States.

The big places are getting bigger.

So what is a metro?

Well, the official definition is pretty straightforward: A dense area of 50,000 or more people, together with the surrounding jurisdictions from which it draws the bulk of its workers.

But the best way to get a handle on this question is to view these places from the ground up.

Let's take Chicago as an example, a humming, thriving economy with a population of 9.5 million people spread over 3 states, 1 major city, 6 satellite cities, 14 counties, and 554 separate municipalities and townships.

In the past we tended to focus on the differences between these jurisdictions.

Yet these differences melt away under economic inquiry.

The assets Chicagoland needs to compete nationally and globally are spread throughout the region:

Major employment hubs;

Key colleges and universities;

Major hospitals and health care facilities;

A network of parks and green space;

And the infrastructure – airports, rail and transit, and the road network – needed to move people and freight.

The cumulative impact of these assets is stunning.

The Illinois portion of Chicagoland contributes more than 78 percent of the state's economic output but houses only 67 percent of the population of the state of Illinois.

Incredibly, 93 percent of the state's economic output is generated by its 11 metropolitan areas.

Here in Pennsylvania, the Philadelphia metro accounts for nearly 43 percent of state economic output, while housing only 31.1% of the state population.

Pennsylvania's 16 metros generate 84 percent of state economic output.

Pennsylvania and Illinois are just two examples of "metro-states."

Across the U.S., our metropolitan areas concentrate those assets that matter most in today's economy and make an outsized contribution to the nation's productivity and prosperity.

The top 100 metro areas alone take up only 12 percent of our land mass but house 65 percent of our population and generate 75 percent of gross domestic product.

On innovation, they outperform on the production of patents and the investment of public research funding and private venture capital.

On human capital, they gather a super majority of our educated workers as well as our knowledge economy jobs.

On infrastructure, they handle the lion's share of seaport tonnage, air cargo weight, and air passenger traffic.

And, on quality places, they congregate our performing arts establishments, our city populations and our public transit.

With these assets, our major metros concentrate the economic clusters that drive our national economy.

Motor vehicles in Detroit, Cincinnati and the metros of the industrial heartland;

Aerospace in Seattle, Dallas and St. Louis;

Pharmaceuticals in Northern New Jersey, San Francisco, and the Research Triangle;

Finance in New York, Chicago, and Boston;

Information technology in Silicon Valley, Atlanta and Washington, D.C.;

Energy in Houston, New Orleans, and Los Angeles; and so on and so on.

The bottom line is this: U.S. metros are driving not just our economy but the global economy.

Now across the U.S., city and suburban leaders are working hard to respond to the challenges that naturally arise from this concentration of economic power and new demographic and environmental realities:

The constant pressure to innovate in the face of global competition;

The legacies of the industrial economy – aging infrastructure and polluted lands, rivers and lakes;

The imperative of educating disadvantaged youth in inner cities and older suburbs;

A shortage of housing that is affordable to workers;

Growing traffic congestion; and,

The environment shaping effects of climate change.

Yet, no matter how much metros focus and innovate, they are learning that they do not have the resources or powers to “go it alone.”

A rapidly changing world demands an **accountable, strategic, dependable** partner at the national level if metros are to resolve their myriad challenges and realize their full potential.

So that brings us to our final proposition: changing times demand a Blueprint for American Prosperity, a new federal partnership with states, localities and the private sector to strengthen metropolitan economies, build a strong and diverse middle class and grow in environmentally sustainable ways.

Our global competitors are beginning to provide this kind of leadership.

China is well on its way to building the most sophisticated network of ports and freight hubs in the world while trying to replicate our network of advanced research institutions and universities.

Germany is strengthening the rail and telecommunication connections between major metropolitan areas like Berlin, Hamburg, Frankfurt, and Munich ...and the rest of their country.

Spain has become a hothouse of alternative energy production in wind and solar power, spawning new specializations in finance, investment, and legal fields.

Yet, in the first decade of a young century, America's metros find our national government strangely adrift, out of step with the dynamic changes sweeping the country and the new spatial geography of our economy.

We have much work to do.

We know that innovation is the fuel that drives our economy and the key to unlocking sustainable solutions.

Past federal investments in science unleashed new domestic markets in health care and information technology.

Yet federal innovation policies today are highly fragmented, insufficiently attentive to the commercialization of research and blind to how innovation and jobs arise from the intense interaction of firms, industry associations, workers, universities, and investors.

The result: America's historic lead on innovation is shrinking, productivity growth is faltering, and the nation's ability to compete in next generation clusters like renewable energy is slipping.

We know human capital is the raw material that furthers innovation and that education is the ticket to the middle class.

Past federal policies helped build a network of higher education institutions which are the envy of the world.

Yet federal education policy today is intensely compartmentalized, failing to draw the critical linkages between K through 12, college education and skills training ... so that proficiency in lower grades translates into high school diplomas and college degrees.

The result: America's education pipeline is leaking, with the US ranked 16th among industrialized nations on the share of individuals who start and then complete higher education. We rank just above Mongolia.

We know infrastructure is the tissue that connects us to the world, knits our nation together and makes our metros function.

Past federal investments in road, rail and air made this country what it is today.

Yet federal infrastructure policy today is an unaccountable free for all. That feeling you get when you sit in another traffic jam – that's called federal transportation policy. It is geared more towards building bridges to nowhere than maintaining the ones we have, developing world class transit, or unblocking the movement of freight at our sea, rail and air hubs.

The result: physical neglect and congestion now seriously compromise the efficiency of a network crucial to the national interest, with a price tag conservatively estimated in the hundreds of billions.

We know quality urban places are critical to our ability to attract and retain innovative firms and talented workers ... and grow in sustainable ways.

Federal policies in the 1930s and 1970s helped transform the downtowns of cities like San Antonio.

Yet federal housing policies today largely fuel the expansion of McMansions at the periphery of metropolitan areas while failing to address the pressing demand for workforce housing in cities and suburbs alike.

The result: Dispersed, low density growth – energy sapping, congestion inducing, fiscally dissipating – dominates the American landscape. We are simply unprepared to accommodate the next 50, let alone 120, million Americans.

In each of these areas, our federal government is mostly a legacy government, a collection of ossified, compartmentalized agencies carrying out decades old programs and policies through means and mechanisms stuck in a pre internet world.

So where do we head?

Over the course of this year, Brookings will develop a Blueprint for American Prosperity and offer a series of concrete reforms to advance key national priorities:

Developing regional industry clusters to foster economic competitiveness;

Improving pathways to postsecondary education;

Developing a transportation agenda for the 21st century;

Increasing the supply of workforce housing;

Organizing a national foundation to promote innovation;

Catalyzing entrepreneurialism in urban schools;

Restructuring energy policies to address climate change; and

“Greening” our built environment through environmentally sustainable construction and the retrofitting of existing development.

We will develop our ideas in concert with a network of metropolitan corporate, civic and political leaders like yourselves to ensure that each of our recommendations builds from your innovations and is geared to unleashing the energies and talents of entrepreneurs and leaders across the country.

In so doing, we will recommend erecting a new compact between the federal government, states, localities and the private sector ... a 21st century federalism ... which reflects the distinctive realities of our moment: fast moving, super-competitive, volatile ... and metropolitan led.

This federalist partnership will recognize that there are elements of domestic policy where the federal government must continue to lead because of the need to have national uniformity or match the scale or geographic reach of certain problems.

Yet the partnership will also identify policies where metros should lead – where we should, in essence, **“flip the pyramid,”** and put the federal government squarely in the service of state and local leaders whose quintessential knack for solving problems are driving this country forward.

The partnership will also re-imagine the government’s relationship with the private sector – creating new markets in sectors like alternative energy through investments in advanced research, using **market mechanisms** like real-time pricing to enable consumers to manage their energy consumption in their homes, unleashing **private sector investment and inventiveness** to stimulate market led responses to energy efficiency and transit oriented development.

Let's take infrastructure as an example of how all this will look in practice.

First, what if the federal government **leads where it must**, embracing a national infrastructure vision that strengthens the connections between the gateways and corridors that are the critical nodes of international trade and inter-metropolitan commerce?

We believe that such a national vision should focus on preserving and maintaining our vast network of interstate highways; and the 50 states should be held accountable for doing so.

Yet we also believe that such a vision will require new targeted and sustained investments in projects of national significance.

This will require, for example, a multi-decade commitment to building a 21st air traffic control system. And it will necessitate focused attention on critical ports like those in metropolitan Los Angeles, rail freight hubs like Chicago, passenger rail corridors in the Northeast and the Southeast, and air freight hubs like Memphis and Louisville.

Second, what if the federal government **empowers metros where it should**, enabling them to use transportation spending to achieve sustained prosperity and sustainable growth?

We will recommend rewarding those metros that can fight congestion and greenhouse gas emissions through smart interventions: technological advances, market pricing, transit-oriented development, and sensible growth.

In exchange for greater accountability, we will go further and recommend major enhancements in metropolitan decision making by giving metros more direct control over funding and more flexibility to make unbiased decisions between different modes of transportation. As in Britain, federal policy would be modally agnostic, enabling metros to choose the right solutions for their needs and realities.

Finally, what if the federal government **organizes for success**, committing itself to an evidence-based, outcome driven and performance measured way of doing business that releases the creative energies of the private sector?

We will recommend that the federal government replicate the intricate web of data, metrics, analytic tools and spatial planning techniques now routinely deployed by Germany, Britain, Denmark, and other European nations ... so we can make decisions based on fact rather than political horse-trading and measure our progress towards clear national priorities.

And we will recommend that the federal government, in a deliberate and purposeful way, fully take advantage of the partnership opportunities presented by the amassing of private sector infrastructure funds.

Now I know what some of you might be thinking.

You may be asking, as *Time* Magazine famously queried months ago, “Who Needs Washington?” After decades of federal drift, isn’t state and metropolitan innovation sufficient to take America forward?

We believe the right question is “What could we accomplish as a nation if Washington got smart?” Whether we appreciate it or not, the federal government **is** involved – with money, rules, powerful institutions – in large sectors of national life. The challenge is to how to make the federal involvement catalytic and current with the dynamic changes at play in our nation.

Conclusion

Let me end where I began.

A new global order has positioned metropolitan areas as the engines of our national prosperity and the vehicles for achieving social progress and environmental sustainability.

Our metropolitan communities face historic challenges that test their prosperity and that of the nation ... but they also have ample assets, dedicated leaders and boundless potential.

In the next year, we need to use this historic presidential election to galvanize a discussion of what is possible in a Metro Nation with a savvy and responsive federal government.

How do we spur innovation in our firms and workers and create vast new markets for high value American products and services?

How do we build an educated and highly skilled workforce that is racially and ethnically diverse?

How do we accommodate the next 120 million Americans in quality communities?

Over the coming months, we hope to inform this debate by doing three things:

Marketing the central paradigm of a Metro Nation;

Translating this paradigm into a set of legislatable ideas; and, perhaps most importantly,

Building a network of leaders across metros in support of the Blueprint.

We already have a Metropolitan Leadership Council of 22 philanthropic, corporate, and individual investors from 14 separate metros to support and guide our work ... and we hope to reach 40 members by the end of this year.

We are building network of Metropolitan Partners from dozens of metros – elected officials, civic and business organizations, universities, community and environmental groups. With these partners, we will convene gatherings in places like New York City, Long Island, Boston, and Seattle. And on June 12th, we will convene this group of partners for the first time in Washington for a national summit.

And we are joining with key national constituencies like the National Governors Association and the Council on Competitiveness and the National Urban League to address challenges like:

Boosting innovation and the development of strong clusters;

Improving education, and services for new immigrants;

Ensuring that workers can access living wages and quality housing; and,

Managing our communities and resources in environmentally sustainable ways.

We are at a moment of global and national change, and the time for action is at hand. We need a **partnership for American prosperity** so that together we can guide our federal government towards pragmatic and results driven leadership.

I firmly believe that America can act ... with vision ... with imagination ... and with confidence.

I firmly believe that our nation can master the possibilities of the 21st century.

We are a Metro Nation ... and now it is time to start acting like one.

I look forward to your questions.