



MetroPolicy: A New Partnership for a Metropolitan Nation
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Introduction

I want to thank Stacy Stewart for that introduction and for the leadership and generous support that Fannie Mae has provided to Brookings over the past decade.

I also want to thank all of you for coming today.

We are here because there is a palpable sense that something big is happening in our country.

Just think about what transpired in this past week alone.

The primary phase of this presidential election ended ...and the final lap of this historic race began.

And the issues at stake in this election came into sharp focus as gas prices soared, housing prices declined, the stock market tumbled and the Senate debated meaningful climate legislation for the first time.

The next Administration and Congress, to put it mildly, will have their hands full.

To inform what comes next, we launched the Blueprint for American Prosperity eight months ago with a simple and urgent proposition: more than ever before, our nation's ability to grow and prosper is **at risk** unless our metropolitan areas are healthy and vital.

Our initiative challenges the nation to fundamentally alter our mental map from a union of 50 states to a network of 363 highly connected, hyper linked and economically integrated metropolitan areas.

The blunt tagline of our initiative: We are a MetroNation and it's high time to start acting like one.

Today we go the logical next step and offer a MetroPolicy for our MetroNation during this historic presidential election.

We make the following proposition:

First, metro areas *are* the engines of national prosperity, and they are at the cutting edge of policy action. Yet, despite all their energy and effort, metros cannot go it alone and ultimately require a dependable national partner to succeed and prosper.

Second, our federal government has gone fundamentally adrift, and is out of step and out of synch with the dynamic changes underway in the country. We are a MetroNation economically, but we do not act like one politically, governmentally, or administratively.

Finally, our MetroNation demands a MetroPolicy. We need to fundamentally re-imagine and remake the partnership between the federal government, states, localities, and the private and voluntary sectors to unleash the unfilled potential of metro America and resolve our most critical national challenges.

We desperately need our national government to **lead where it must** since the big challenges transcend parochial borders and require national vision, direction and purpose.

At the same time, we need our federal government to **empower metros where it should** by being flexible enough to reflect the variation across metros, smart enough to enable integrated solutions and assertive enough to insist that cities and suburbs work together to resolve their common problems.

And, what's more, during a time of severe fiscal constraints, we need our national government to **maximize performance**. More focus on evidence based, outcome driven and performance measured decisions. More reliance on public private partnerships, innovation networks, and market mechanisms.

A MetroPolicy for a MetroNation ... the time is long overdue.

So, let's start with our initial frame: broad forces have positioned metropolitan areas as the engines of national prosperity and the cutting edge of policy action.

As we reported in November, the top 100 metro areas pictured here have kept growing and growing to the point where they now constitute 65 percent of our nation's population and concentrate the workers and firms that fuel the economy.

Economists refer to this as agglomeration because the assets that matter most to nations gather and strengthen disproportionately in urban and metropolitan places:

Innovation ... the new products, processes and business models that drive economic productivity and sustainable solutions.

Human capital... the education and skills that further innovation and serve as the ticket to the middle class.

Infrastructure... state of the art transportation, telecommunication, and energy distribution systems that move people, goods, and ideas quickly and efficiently.

And quality places ... that special mix of distinctive communities and responsible growth that is competitively wise, fiscally responsible, and environmentally sustainable.

Innovation, human capital, infrastructure, and quality places.

These assets and the people and firms that leverage them come to ground in metro America. Our top 100 metropolitan areas alone take up only 12 percent of our land mass, but harbor 2/3 of our population and generate 75 percent of our gross domestic product.

More importantly, metros gather what matters and make an outsized contribution on each of the assets that drive prosperity – whether its indicators of innovation like patents or indicators of human capital like adults with graduate degrees or indicators of infrastructure like air cargo or indicators of quality place like public transit.

Our metro areas constitute a new spatial geography, enveloping city and suburb, township and rural area in a seamlessly integrated economic and environmental landscape.

In the Chicago metropolis, for example, the new geography stretches from the hustle of the downtown loop to the leafy suburban neighborhoods of Oak Park to the prairie landscape of Goose Lake to the employment center of Schaumburg and to the satellite cities of Aurora and Waukegan.

These disparate places – once fully separate – are now co-joined and co-mingled as people live in one municipality, work in another, go to a sports game or medical specialist or shopping in yet another ... and share the same air, water and natural resources.

America's metros find themselves on the front lines of dynamic change and confront daily the challenges of our new global order.

Yet they are responding, affirmatively, with energy, invention and creativity.

Challenged by unsettling economic restructuring, metros are finding new ways to bolster innovation ...whether by financing wind energy and fuel cells in struggling, industrial metros like Cleveland or by connecting new entrepreneurs to money, markets, partners, management and other resources in prosperous metros like San Diego.

Confronted with a diverse, less educated workforce, metros are laboring to elevate human capital by preparing disadvantaged workers to excel in such global hotbeds of employment as logistics in Louisville, life sciences in the Bay Area and health care in both.

Faced with rising congestion, exploding gas prices, and aging systems, metros are designing and implementing market-shaping infrastructure investments ... to reconfigure freeways in Milwaukee, modernize water and sewer systems in Atlanta, build out region wide transit in Denver, and install fiber optic networks in Scranton.

And, confronted with what Strobe Talbott calls "the existential threat of climate change," metros like Seattle and Chicago are taking ambitious steps to create quality, sustainable places by promoting green building, transit oriented development, urban regeneration, and renewable sources of energy.

What knits these policy efforts together? It's their embrace of a new style of governance that brings together city and suburban leaders around common purpose, cuts across conventional lines of government, business, and philanthropy and deploys systemic market and environment shaping investments and interventions.

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." And they shouldn't have to.

The forces affecting metros are the same ones that are buffeting our nation.

The movements of talent and capital or the drift of carbon emissions take place at the global scale and have impacts and implications that transcend parochial borders.

A rapidly changing world **demand**s that the federal government serve as a strategic, flexible and accountable partner so that metros can address their

central problems, realize their full potential ... and, in so doing, resolve our most pressing national challenges.

A Federal Government Gone Adrift

This leads to our second point: the federal government has gone adrift and is out of synch with metropolitan reality.

The conventional wisdom of two parties in perennial conflict with each other may be true, but it's only part of the story.

Equally important from our perspective is the sharp disconnect between the dynamics of a changing Metro Nation **on the one hand** and the static nature of federal policy **on the other**.

Washington, in short, is failing to **lead where it must** during a period of global transformation.

It is failing to **empower metros where it should** to reflect the changing and varied nature of metropolitan communities.

And it is failing to **maximize performance** to ensure that scarce resources have optimal societal impact.

*At the broadest level, the federal government is absent where it needs to be present, failing to **lead** on issues of national significance.*

In prior transformational periods, the federal government acted with confidence and purpose:

Creating advanced economic sectors through investments in health care, scientific research, and defense.

Extending the education of millions of Americans through the GI bill.

Radically reducing poverty of older Americans through social security and Medicare

Constructing an interstate highway system to make us one nation, one integrated network of markets

And taking bold steps to conserve the nation's natural heritage through Teddy Roosevelt's system of parks and open lands ... and, 60 years later, to ensure clean air and clean water.

The return on these smart investments – economically, socially, environmentally – is beyond calculation.

But today Washington lacks any strategic plan to tackle the big stuff that is beyond the scope of metros:

Burnishing critical assets like innovation in a disruptive economy that has shed close to 3.4 million manufacturing jobs in the past 8 years alone

Building a world class labor force when the next generation of workers, African Americans and Hispanics, have education levels that are literally one third or one half those of white Americans.

Rethinking the transportation needs of a MetroNation that is slated to grow from 300 million to 420 million people by the middle of this century.

Reducing the carbon footprint of a nation that is the world's largest per capita emitter of greenhouse gas emissions, releasing twice the level of emissions as Germany and the United Kingdom.

By contrast, our competitor nations understand fully well that the rules have changed and require new purpose and direction from central governments... whether it be South Korea's and Finland's attentiveness to innovation, or Ireland's and Singapore's bets on developing talented workers, or Japan's and Germany's campaigns around broadband and high speed rail connections or Europe's consistent focus on alternative energy and smart metropolitan development.

Now we all remember Harry Truman's favorite maxim "the buck stops here." It seems at times that we now have a "pass the buck" government routinely shifting the responsibility and, even more significantly, the obligation of funding to lower levels of government for challenges that are simply beyond their control.

*The absence of leadership is coupled with a failure to **empower** metros with the tools they need to thrive and build on their own distinct assets.*

Over the past forty years, from Nixon to Now, the federal government has experimented with devolution, pushing large responsibilities for program design and implementation down to states and localities.

Yet devolution has failed to keep pace with the evolution of metros, and offers only compartmentalized responses to multidimensional challenges and parochial solutions to issues that cut across artificial political borders and boundaries.

In the real world, families know that issues like transportation and housing and education are inextricably linked. In the specialized, stove-piped universe of federal bureaucracy, these issues are broken apart and kept separate.

Let's take traffic congestion, for example, which is the natural byproduct of land use patterns that separate where we live from where we work. We know that it is fiscal folly to build or widen roads to mitigate congestion. More roads equal more congestion.

The real solution lies in rearranging the location of housing and jobs and building transit to give people more choices ... and then introducing pricing schemes to reduce and alter demand.

But federal transportation programs offer only transportation solutions to congestion, making fiscal follies the easy if not only choice.

And efforts to link disparate areas of federal policy like transportation and housing for example run into countless roadblocks ...such as headache inducing differences in grant requirements and restrictions.

The federal government has become an ossified network of specialized and balkanized agencies at a time when most challenges require integrated solutions that "join" up related areas of domestic policy.

Federal policies also reinforce governmental fragmentation.

Our top 100 metros may be integrated economies, but most like Chicago have inherited 19th century governmental structures that are highly fragmented and balkanized.

With globalization, the competition is no longer between all these separate jurisdictions but with international metros like Shanghai, Mumbai, London, and Frankfurt.

Cities and suburbs should be encouraged to collaborate to compete globally and resolve common problems rather than compete against each other.

Yet federal programs and policies rarely encourage such collaboration. Rather, federal housing, workforce, transportation and even homeland security programs, just to name a few, break apart metros by allocating resources to either parochial city or county bureaucracies or distant (and often hostile) state agencies – entities that rarely see the metropolitan area as an economic or environmental whole.

The federal government, of course, is not solely responsible for governmental fragmentation. Cities and suburbs are creatures of states ... which are often

reluctant to alter the geography or rules of local governance, stymied by tradition and vested interests. And localities, as we know, don't work or play well together.

But federal rules and resources make a difference ... and are powerful enough to chart a new path and make city/suburban collaboration the norm rather than the exception.

*Beyond encouraging fragmentation, the federal government is failing to **maximize performance**, apparently blind to the revolution in business practice, organization and accountability underway in the best of corporate America.*

We all know it hasn't always been this way.

In earlier decades, the typical government agency was organized in ways that looked remarkably similar to the typical state of the art corporation.

In many respects, the mass production corporate economy had its direct analogue in the command and control bureaucracies engendered by the New Deal and Great Society.

The past thirty years have told a different story.

Remember the Great Competitiveness Threat of the late 1980s and early 1990s?

How did we respond? Well the best corporations retooled and restructured in the face of international competition. Top down planning gave way to decentralized, "federated" systems that rewarded decisive front-line problem solving and experimentation.

Businesses deemphasized rule bound control in favor of bottom up accountability that enshrined systematic measurement, benchmarking, evaluation, and learning.

We all know the success of the Austin based Whole Foods Markets. This corporation maximizes performance across its 11 regions and 270 grocery stores by combining the radical autonomy it allows its store based teams with data rich and evidence driven accountability systems so that performance can be measured and rewarded.

And the federal government?

It barely funds the national census, constitutionally mandated and in operation since 1790.

It has dismantled information systems.

It has degraded our statistical agencies and denigrated program evaluation and assessment.

With a few notable exceptions, most federal agencies have no clear, quantifiable mission and no end game against which to benchmark progress.

Folks, this is not rocket science.

Measure what matters.

Track what counts.

Get what you pay for.

A Call for Metropolicy

And so we come to our final point: a MetroNation demands a MetroPolicy, a fundamental remaking of federalism and our federalist compact.

We face a sharp contrast.

On one hand, we are a MetroNation, rich in assets, bursting with promise and potential, but incapable by itself of addressing the panoply of challenges shaped by global forces.

On the other hand, we have a powerful federal government (and frankly a level of local governmental fragmentation) that are out of step and out of touch.

We need to end this disconnect.

We need, in short, a MetroPolicy for a MetroNation that recognizes and leverages the core assets that drive prosperity in the nation.

At the core of MetroPolicy is a call for a new federalist compact.

This compact should have three essential components:

First, the federal government **should lead where it must**. Global challenges, broad in scale and geographic reach, require national solutions. Only the national government can set a strategic vision for the entire country, address issues that naturally transcend state borders and establish a unified framework for smart private and public sector action.

Next, the federal government **must empower metros where it should**. A nation of our size and diversity displays immense variation. Charlotte is not

Cleveland. Phoenix is not Pittsburgh. Denver is not Detroit. Federal policy must enable these and other metropolitan areas to bend national policies to their own distinctive market realities and strengths.

But there is another piece to our federalist puzzle. The federal government **must maximize performance** and fundamentally alter the way it does business in a changing world. It is time for Washington to Get Smart and become a fact filled rather than fact free zone.

Lead.

Empower.

Maximize.

Simple concepts.

We need a 21st century federalism that marries national vision and purpose with local implementation and invention and couples public sector engagement with private sector energy and discipline.

So – our final point – what does MetroPolicy look like in practice?

For the past decade, Brookings has listened carefully to a new class of metropolitan innovators like many here today – elected officials, business and civic leaders, university presidents, environmental activists – who are grappling with the big challenges of our time.

What follows is the initial fruit of our labor ... organized along the lines of the four assets that drive prosperity – overwhelmingly metropolitan assets – innovation, human capital, infrastructure, and quality places.

*As a start, we need a federal government that **leads** again.*

We desperately need a **national innovation policy** if our metro areas and our nation as a whole are going to stay one step ahead of our competitors.

To lead that effort, we recommend a **National Innovation Foundation**, to bring together under one roof and ramp up the government's fragmented efforts to boost commercial innovations in fields such as precision manufacturing, information technology, life sciences and the environment.

Modeled on successful efforts in Japan and Korea, Finland and Britain, the National Innovation Foundation would create an entrepreneurial hot spot that works with states, metros, and the private sector to unleash innovation in firms across our economy.

Now no matter how much we innovate, we must recognize that many American workers will not be able to make ends meet without government help.

So the federal government must lead on supplementing wages of working families. We will recommend a **Metro Raise**, a targeted boost in the earned income tax credit, the most successful anti-poverty effort in the modern era that rewards work rather than idleness. It is time to make the EITC go further in rewarding the employment of workers who are currently not benefiting fully from this incentive, such as childless workers, non-custodial parents who still care for a child or families with three children or more.

Beyond innovation and human capital, we propose that the federal government lead again, as in the 1950's, and set forth a **national transportation vision** that fits the challenges of our time ... namely to facilitate the movement of people and goods within and among the metropolitan gateways of international trade and the major corridors of inter-metropolitan travel.

It is economic and environmental suicide to expect our major ports, freight hubs and rail corridors to do what it takes on their own and to stay one step ahead of global forces.

And it is fiscally irrational and irresponsible to expect that a system of Congressional earmarks will get the job done.

Our response: identify, map, prioritize, finance, and then implement those investments that will have the largest return for the nation, economically, and environmentally.

Take politics out of the system and invest in what matters: Intermodal facilities at our congested ports and freight hubs. High speed passenger rail between key economic centers.

Smart infrastructure is essential to the building of **quality places**, another driving asset. But the federal government must go further and lead on climate change and create a national framework for smart and sustainable development.

Now we support either a carbon tax or a national cap-and-trade system to lower greenhouse gas emissions through market innovation.

But we think such a system must fully recognize the carbon footprint of the built environment – the residential sector alone contributes a full fifth of greenhouse gas emissions.

That's why we will recommend Washington mandate energy transparency in residential home purchases, promote new efforts to jumpstart private markets for

the retrofit of older homes and build a new network of discovery innovation institutes to scale up ideas around alternative energy.

But the days of solutions that are exclusively made in Washington DC are long over.

*Beyond leadership, the federal government must also **empower metros where it should** by enabling metropolitan areas to tailor national policies to their own realities.*

On innovation and human capital, we recommend that the federal government empower metropolitan areas to build on their strengths – distinctive clusters of economic activity that join together webs of for-profit firms, advanced research institutions, suppliers, investors, skills providers, and business associations.

Energy in Houston.

Logistics in Louisville.

Photonics in Rochester.

Advanced manufacturing in Minneapolis.

Life Sciences in Boston.

These distinct clusters are the foundation of metro competitiveness in the global marketplace ... and hence the foundation of the nation's ability to compete globally.

We will thus recommend a new **CLUSTER** effort – Competitive Leadership in the United States through Economic Regions ... Competitive Leadership in the United States through Economic Regions ... pretty good acronym right? That took seven months. Anyway, a new CLUSTER effort would reward metro grown initiatives that help economic sectors undertake common efforts on job training, product and service innovation, networking, and global marketing.

Workers benefit. Firms benefit. Metros benefit.

And on infrastructure and quality places, we recommend that the federal government empower metros by issuing a **Sustainability Challenge**.

Just imagine if the federal government said to Greater Denver or Greater Dallas or Greater Cleveland or Greater Charlotte: "Show us a plan to reduce greenhouse gas emissions and lower your carbon footprint from combined changes in housing, transportation, land use, and energy and we will provide additional resources as well new powers to align disparate federal programs."

We think metro areas would rise to such a challenge. Metros might propose to concentrate mixed use facilities and mixed income housing around transit stations. Or they might decide to institute congestion pricing, or extend transit and commuter rail.

These efforts would actually give our residents what they want: more choices in where they live and how they move around their communities.

Let's face it: with rising gas prices and the climate threat, sprawl is no longer an option for people or places.

These and other empowerment proposals flip traditional federal practice on its head and embrace solutions that are **bottom-up** (reflecting local variation), **joined up** (rewarding problem solving across stove piped bureaucracies) and **suited up** for global competition (insisting that cities and suburbs work together on issues that obviously cross jurisdictional lines).

*So that brings us to another part of the new federalist compact, namely the need to **maximize performance** of the vast partnership between federal government, states, localities and the private and voluntary sector.*

Our most basic recommendation here is simple, relatively cheap, doable ... and transformative.

Set Audacious Goals.

Use Evidence to Make Decisions.

Track Performance continuously.

In a phrase, GET SMART.

Lets create the intricate network of data, metrics, and analytic tools used in Europe and American corporations and measure what really matters: the performance of clusters that drive metropolitan economies: the share of our high school graduates who move on to 1, 2, and 4 year degrees; the economic and environmental returns on transportation investments; the changing carbon footprint of our metropolitan areas.

Ask any corporation. Information moves markets. Information creates wealth.

A relatively small federal investment in the tens of millions will ultimately mean that public and private sector investments in the hundreds of billions can be smart and strategic.

These are the policy ideas we have today to lead, empower and maximize performance. But our work, yours and mine, is not done.

We intend to continue throughout this year and next to offer concrete, legislatable ideas on additional challenges that face our nation and our metros – particularly the challenges that continue to undermine progress in urban school systems and post secondary education.

As with our current efforts, we will not do this alone ... but rather in concert with the real experts in this country ... the metropolitan corporate, civic, political, university, and environmental leaders who are driving change.

Conclusion

Let me end where I began.

The United States enters a new century with a new geography and a new face.

We are no longer Jefferson's nation of rural hamlets and small towns, with economies that are internally focused and self reliant.

Rather we have emerged as the world's preeminent economic power precisely because we are now a network of metropolitan areas that are integrated and connected with their sister economies across the globe.

Our challenge is to get comfortable in our new metropolitan skin and alter the way we govern so that our metro communities can achieve their fullest potential as our engines of national prosperity.

Quite simply, we have come to a point in our nation's evolution where the purpose of national policy – and the roles and relationships between different levels of government to achieve that purpose -- need to be fundamentally reexamined and then remade.

Our Metro Nation **needs** a Metro Policy. Together, let's make it happen.