

Remaking Federalism | Renewing the Economy

The Metropolitan Policy Program at Brookings is launching a compact federal policy series to frame the challenges facing the next presidency and advance a select number of discrete policy recommendations to inform the post-election period and the first hundred days of the next presidential term.

The series includes an overarching **framing paper** as well as a series of **actionable, short-form policy briefs**. The framing paper, authored by Bruce Katz and Mark Muro, explains—in the context of budgetary crisis, political dysfunction, and sluggish economic growth—the need for federal actions to support the nation’s states and metropolitan areas as they move toward a new, more innovative, production-oriented economic model. Entitled “Remaking Federalism | Renewing the Economy: Resetting Federal Policy to Renew the Economy, Stabilize the Budget, and Unleash State and Metropolitan Innovation,” this essay sets out the central contention of the series—namely that remaking federalism to accelerate the emergence of the next American economy requires that Washington *do less, better* on three fronts:

1. Cut to invest. While moving to reduce the national debt, the federal government must channel some of the savings produced by cutting unnecessary or counterproductive programs and tax expenditures into a limited number of transformative investments—in R&D, in innovation hubs, in infrastructure finance, in education and skills-training. This is the crux of “doing less, better.” By putting this concept into action, it should be possible to free up as much as \$100 billion over 10 years for the sort of investments that will be necessary to transform America’s economy—even while pursuing substantial deficit reduction.

2. Invest but reform. “Doing less, better” also means that the federal government must reform its activities to make them not only more efficient and effective but also more catalytic and supportive of local and state problem-solving. Too many federal programs remain rigidly prescriptive, siloed, or redundant—and too many employ outdated approaches to 21st-century concerns. By reducing intrusive rules, pruning processes, and consolidating efforts, the federal government could empower metros and their states and make limited investment go further by building in greater flexibility for problem-solving at the state and metropolitan levels.

3. Strengthen federalism. Finally, the goal of “doing less, better” requires that the federal government maximize the power of its dynamic partnership with the nation’s localities and states. In the years ahead, U.S. economic policy and implementation will be increasingly “co-developed” with cities, counties, metropolitan economic organizations, state governments, and the private sector. As a result, execution on the economy will become more complex, increasingly networked, and experimental, which means that new mechanisms will be needed to advance and steward the new federalist order and maximize its performance. Ensuring that such mechanisms emerge should be an important federal priority for the next presidential administration.

In terms of specific proposals, the Metro Program's *Remaking Federalism | Renewing the Economy* series advances **an array of compact policy briefs** across these three reform themes:

Cut to Invest

- Establish a Cut-to-Invest Commission to Cut Low-Priority Spending, Consolidate Duplicative Programs, and Increase High-Priority Investments—*Paul Weinstein*
- Institute a Modest Carbon Tax to Reduce Taxes, Cut the Deficit, and Finance Clean Energy Deployment—*Mark Muro*
- Exempt Private Activity Bonds (PABs) from the Alternative Minimum Tax (AMT)—*Robert Puentes and Joseph Kane*
- Reform the Mortgage Interest Deduction (MID) to Invest in Innovation and Advanced Manufacturing—*Bruce Katz*
- Make the Research and Experimentation (R&E) Tax Credit Permanent—*Jessica Lee and Mark Muro*
- Create a Nationwide Network of Advanced Industries Innovation Hubs—*Devashree Saha and Mark Muro*
- Establish a “Race to the Shop” Competition for Advanced Manufacturing—*Bruce Katz*
- Support the Designation of 20 “Manufacturing Universities”—*Robert D. Atkinson and Stephen Ezell*
- Create New Bond and Tax Credit Programs to Restore Market Vitality to America’s Distressed Neighborhoods—*Alan Mallach*
- Revive Build America Bonds (BABs) to Support State and Local Investments—*Robert Puentes and Joseph Kane*

Invest but Reform

- Smarter Finance for Cleaner Energy: Open Up Master Limited Partnerships (MLPs) and Real Estate Investment Trusts (REITs) to Renewable Energy Investment—*Dan Reicher and Felix Mormann*
- Consolidate Major Trade and Commerce Agencies to Reduce Duplication and Better Support Metropolitan Export Promotion and Foreign Direct Investment—*Amy Liu*
- Revise Federal Reporting and Programmatic Requirements to Allow for the Creation of Creative Anti-Poverty Performance Partnerships with High-Impact Nonprofit Organizations—*Alan Berube*
- Align Distribution of H-1B Visa Fee Revenues to Local Workforce Needs—*Neil G. Ruiz and Jill H. Wilson*
- Overhaul Administration of the Section 8 Housing Choice Voucher Program—*Bruce Katz and Margery Austin Turner*

Strengthen Federalism

- Establish a National PPP Unit to Support Bottom-Up Infrastructure Investment—*Robert Puentes*
- Enact Legislation Supporting Residential Property Assessed Clean Energy Financing (PACE)—*Devashree Saha*
- Establish a Federal Delivery Unit to Green-Light and Fast Track Projects of State and Metropolitan Significance—*Bruce Katz*

For More Information

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The views expressed by individual authors in this series do not necessarily represent the views of other authors in the series.