An Economic Plan for the Commonwealth:

Unleashing the Assets of Metropolitan Pennsylvania

By Amy Liu and Bruce Katz

Executive Summary

In Pennsylvania, the next major presidential primary state, concerns about the economy loom large as global competition, economic restructuring, and an aging workforce threaten the state's ability to prosper. A true economic agenda for the state must speak to the core assets of Pennsylvania's economy and where these assets are located: the state's many small and large metropolitan areas. In short, this brief finds that:

- **To help Pennsylvania prosper, federal leaders must leverage four key assets that matter today—innovation, human capital, infrastructure, and quality places.** These assets help increase the productivity of firms and workers, boost the incomes of families and workers, and can help the state and nation grow in more fiscally and environmentally responsible ways.

- **These four assets are highly concentrated in the state's economic engines, its metropolitan areas.** There are 16 metro areas in the Commonwealth, ranging from Philadelphia, the most populous, to Williamsport, the smallest. The top six metropolitan areas alone generate the bulk of the state's innovation (80 percent of all patenting), contain the majority of the state's educated workforce (77 percent of all adults with a bachelors degree), and serve as the state's transport hubs. Thanks to these assets, the six metro areas generate 80 percent of the state's economic output even though they house 68 percent of its population.

- **Despite these assets, Pennsylvania's metro areas have yet to achieve their full economic potential.** For instance, Philadelphia and Pittsburgh enjoy strengths in innovation, but they both struggle to convert their research investments into commercial products and real jobs. The Scranton metro area is emerging as a satellite of the New York City region, but it's hampered by the absence of frequent and reliable transportation connections and inadequate broadband coverage.

- **Federal leaders must advance an economic agenda that empowers states and metro areas to leverage their assets and help the nation prosper.** To that end, they should establish a single federal entity that works with industry, states, and metro areas to ensure that innovation results in jobs and helps businesses small and large modernize. The federal government should strengthen access and success through the entire education pipeline. They should overhaul and create a 21st century transportation system. And they should use housing policy to support quality, mixed-income communities rather than perpetuating distressed neighborhoods with few school and job options.

In the past decade, Pennsylvania has seen a surge of innovative actions at the state, local and regional levels. In all of this, the federal role has been noticeably absent or counterproductive. It is time for the candidates and federal leaders to be a true partner with Pennsylvanians, and all state and local leaders, by advancing an agenda that builds on our economic assets and helps our metro areas thrive.

Introduction

As the presidential candidates make their way through the Keystone State, they are rolling out policy ideas in hopes of easing voter anxieties about the economy.

But are they proposing solutions that will help this large, former industrial state successfully transition to a more dynamic economy for the long run?

The short answer: The remedies seem thin.

No doubt, the proposals regarding NAFTA, worker retraining, and the housing foreclosure crisis respond to legitimate concerns.

But the candidates and our federal leaders are far too silent on ways to build on the assets that we have here at home, those that drive the nation's productivity and bolster opportunities for families and workers.

In other words, the nation, and Pennsylvanians, would benefit from hearing proposals that would leverage innovation, human capital, infrastructure, and quality places. Further, these solutions should empower state and local leaders to maximize those assets in metro areas, large and small, which are the engines of our national and global economy.

By doing so, our federal leaders would be serving as meaningful partners with state and local leaders who are already striving to enhance and integrate these assets to bring prosperity to all parts of Pennsylvania. Think about Gov. Rendell's national and state leadership to fix aging infrastructure and realign transportation priorities to revitalize core economic centers. Consider Pittsburgh's efforts to strengthen technology transfer and commercialization to continue their shift towards an innovation future. Take a cue from Lancaster's strategies to maintain their competitive edge in advanced manufacturing, especially through workforce development strategies.

This brief makes the case for a federal economic plan that is based on the assets of our economy. It provides new data on how these assets are highly concentrated in Pennsylvania's 16 metro areas, especially those that rank among the nation's 100 largest. The brief, and its accompanying material, also quantifies the strength of these assets in the six largest metro areas—Philadelphia, Pittsburgh, Lehigh Valley (Allentown area), Scranton/Wilkes-Barre/Hazleton, Harrisburg, and Lancaster. The paper closes with how these assets translates into a more robust plan for federal leaders to strengthen their partnership with state and local leaders to advance the nation's prosperity.

Federal Leaders Must Leverage Four Key Assets that Matter Today to Help Pennsylvania Prosper

Like the US, Pennsylvania faces increased global competition, economic restructuring, changing demographics, and a threatened environment that together tests its ability to adapt and prosper in the global economy (see sidebar). The revival of Pennsylvania's economy, likewise, must follow a playbook that departs from the conventional policies of the past.

What matters to economic prosperity today?

Innovation matters, because a state's ability to invent and exploit new products, processes and business models is critical to compete globally.

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—the connective tissue of the nation—are critical to moving goods, ideas and workers quickly and efficiently.

And, quality places matter, because a changing economy, diversifying population, and challenged natural environment are revaluing cities, amplifying the attributes of urban places—dense form, distinctive neighborhoods, downtowns and waterfronts.

Together, these four assets increase the productivity of firms and workers, grow the incomes and assets of households, and, if deployed accurately, can help the state and nation grow in fiscally and environmentally responsible ways.

Therefore, leveraging these four assets and maximizing their impact and potential is the only way that Pennsylvania—or the nation as a whole—can compete globally and move toward a sustainable future.

Pennsylvania Faces Some Key Challenges that Test its Prosperity in the Global Economy

Pennsylvania is blessed with some enviable assets. The Commonwealth possesses a strong education and health care sector, highly productive farms, historic towns with affordable living, and an abundance of rolling hills and natural resources.

Yet, it faces some key challenges that test its ability to adapt and prosper in today's global economy (see Appendix 1 for a more complete summary of the Pennsylvania economy).

In brief:

- **Pennsylvania has shed more than 200,000 manufacturing jobs since 2000.** The good news: The state has managed to experience net job growth this decade, with growth in service jobs clearly on the rise. The bad news: Average hourly wages have declined in the last five years while they have held steady for the nation, in part reflecting the state's chang ing job mix.

- **The Commonwealth is struggling to retain its young and skilled workers.** In the 1990s, the state lost the highest number of young people aged 25–34 among all states. Since 2000, the state experienced a net out-migration of more than 21,600 residents who, on average, earn higher wages than those moving in. However, Pennsylvania may be turning this trend around: Between 2004 and 2006, the state benefited from a "brain gain" with more adults with BA degrees moving in than moving out.

• **The state's older communities, where the majority of Pennsylvanians live, are hollow ing out** at a time when talented workers and knowledge firms demand vital urban centers with dense clusters of people, jobs, and amenities. Pennsylvanians consumed six times more acres of land per new resident than the national average, despite stagnant population growth in the 1990s. The result is an erosion of the job and fiscal base in older core commu nities and loss of rural lands

These Assets Are Highly Concentrated in the State's Economic Engines—its Metropolitan Areas

The assets Pennsylvania needs to succeed are not evenly distributed.

Rather they gather, concentrate, and strengthen in the many metropolitan areas around the state.

As illustrated by Appendix 2, there are 16 metropolitan areas in the Commonwealth, defying the notion that the state is "Philadelphia and Pittsburgh with Alabama in the middle," as famously observed by James Carville. They range from Philadelphia, the most populous, to Williamsport, the smallest.

The state's 16 metropolitan areas house 84 percent of the state's population and generate 92.3 percent of the state's economic output.[1]

The real heart of Pennsylvania's economy is even more centralized.

The top six metropolitan areas alone—Philadelphia, Pittsburgh, Harrisburg-Carlisle, the Lehigh Valley (Allentown Bethlehem-Easton), Scranton/Wilkes-Barre/Hazleton, and Lancaster—constitute 68.4 percent of the state's population yet generate 80.5 percent of the state's economic output.[2]

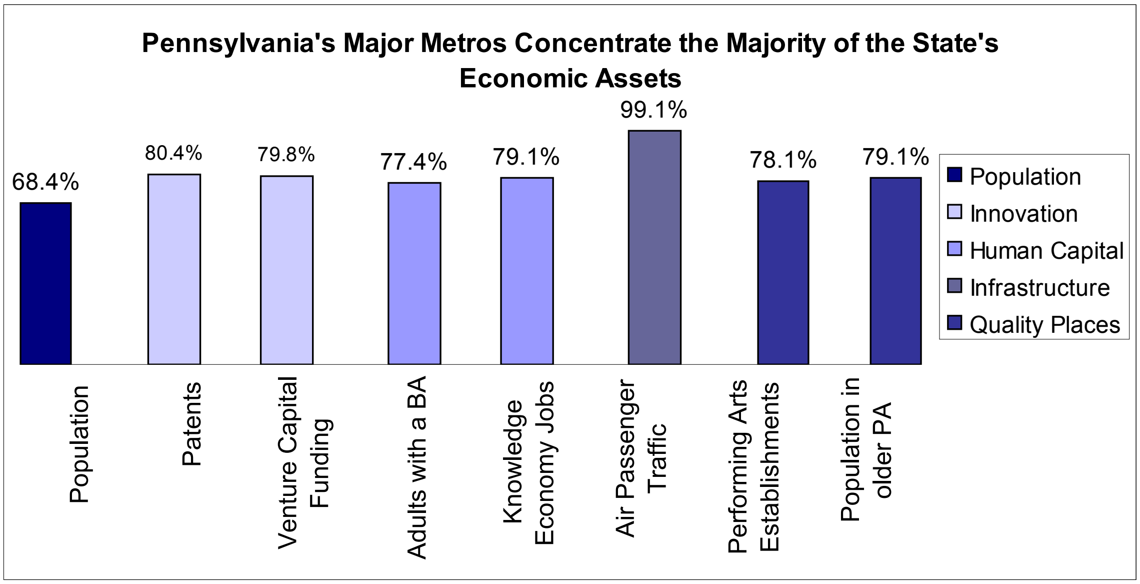
The metropolitan geography of Pennsylvania's economy reflects the fact that, although the "world is flat," high value economic activity is clustered in a relatively small number of places.

Simply put, globally competitive firms crave proximity—to concentrations of talented workers, to specialized legal and financial support, to institutions of higher learning, to modern infrastructure, and to other firms—so that ideas and innovations can be rapidly shared.

Pennsylvania's top metropolitan areas concentrate the assets that matter most in today's economy. As the graphic shows, Pennsylvania's six largest economic centers are the state's top producers of innovation, human capital and knowledge economy jobs.

They are the transportation hubs of the state, handling the majority of the air and freight traffic in this major trucking and distribution corridor.

They possess the amenities, density, and diversity that matter to knowledge workers and firms, generating nearly all of the transit miles and housing nearly 80 percent of the state's arts establishments.



Sources: U.S. Census, American Community Survey; Brookings analysis of Census County Business Patterns data; Thomson Financial; Brookings analysis of Economy.com data; Federal Aviation Administration; forthcoming Brookings report. 2005-2006.

These assets make it possible for key industries to thrive in the state, and, not surprisingly, they concentrate in the state's leading metro areas, such as:

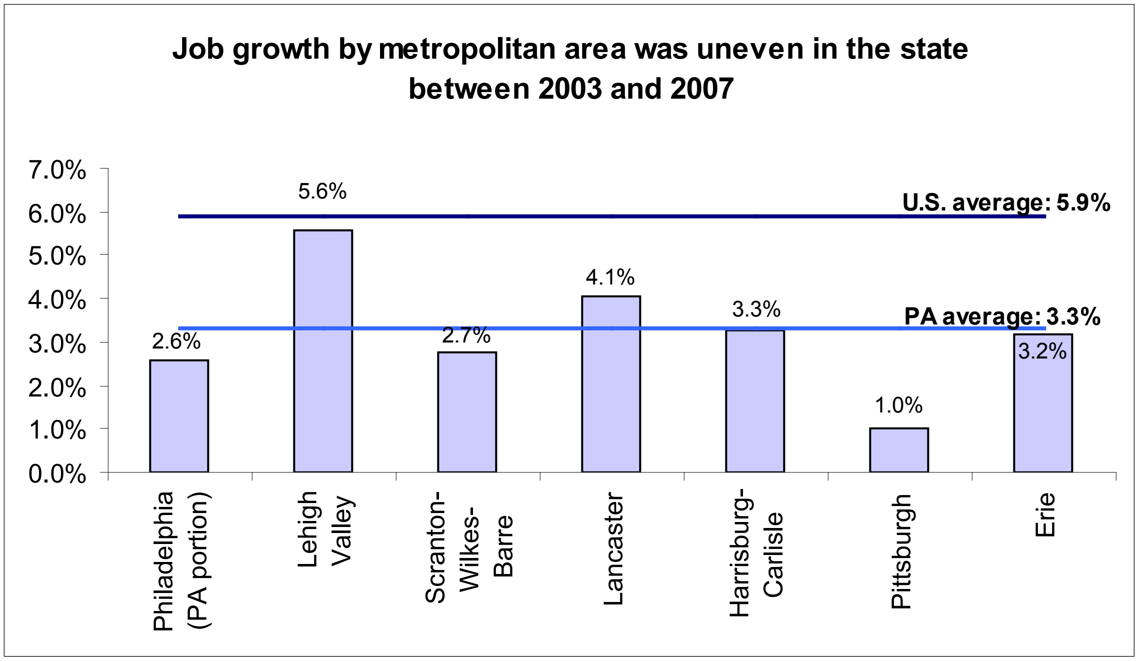
- advanced health care, pharmaceuticals, and information technology in Philadelphia,
- health care, architecture and engineering, and banking in Pittsburgh,
- heavy construction, machinery, and food processing in Lancaster, and
- industrial gases, health care, and higher education in the Lehigh Valley,
- government and transportation and logistics in Harrisburg, and
- back-office services, warehouse and distribution, and plastics in Scranton/Wilkes-Barre/Hazleton.

The bottom line: Thanks to this concentration of assets and export industries, the six largest metro areas alone generate 80 percent of the state's GDP.

Despite Their Assets, Pennsylvania's Metro Areas Have Yet to Achieve their Full Economic Potential

Despite all of their assets, the largest metro areas could better maximize and integrate these drivers in ways that will generate productive, inclusive, and sustainable growth.

Accompanying this brief are two-page profiles of each of the six largest metro areas that depict their overall economic picture, key export clusters, and the strength of their assets. The profiles reinforce that despite wide variation in job growth and other measures of economic performance among the metro areas, numerous assets exist in these communities. Thus, more can be done to ensure that these assets are leveraged and connected in ways that boost their metro area's economic potential and ultimately advance the long-term prosperity of the state.



Source: Bureau of Labor Statistics, Current Employment Statistics

For instance:

- Both greater **Philadelphia** and the **Pittsburgh** metro areas enjoy strong assets in innovation, fueled by the presence of world class research universities, like the University of Pennsylvania and Carnegie Mellon. They both outperform the nation in their ability to attract federal research dollars and venture capital funding per capita and generate the most productive jobs in the state. They both, along with the Harrisburg metro area, match or exceed the national average in their share of adults with bachelors and graduate degrees. Furthermore, the city of Philadelphia has undertaken one of the best downtown turnarounds in the nation. Their challenge? Both metro areas could do a better job converting their research investments into commercialized products and real jobs, as evidenced by their below-national-average performance on patenting and weak job growth since 2003.

- **Lehigh Valley**, the third largest employment center in the state, experienced the fastest job and population growth since 2003 and 2000, respectively, among the state's largest metro areas. The region's strongest asset may be its commercialization of new products and new technologies, as indicated by its healthy generation of patents per capita, which surpasses the U.S. average, despite the relative lack of federal research dollars and thin layer of research and development workers. And Lehigh University has been an active partner in the redevelopment of its surrounding neighborhood. To ensure its path toward long-term sustainability, Lehigh Valley could improve the quality of its human capital (its share of adults with an associates degree or higher fall below the national average). It also is underserved by air and rail, especially to nearby job centers in Philadelphia and New York, which may make the area less accessible for firms and workers.

- The **Scranton/Wilkes-Barre/Hazleton** metro area is blessed with an employment base that is driven by a high share of jobs in distinct export industries, such as transportation and warehousing, back-office processing, and construction materials. This strength in traded sectors, as well as its affordable proximity to firms and workers in the New York metro area, has helped the Scranton/Wilkes-Barre/Hazleton area slow the loss of jobs in the area since 1990. However, the region lost 11 percent of its manufacturing jobs since 2003, the highest percentage loss among the largest metro areas.[3] To continue to adapt to economic restructuring, the region must leverage its innovation assets across all sectors, strengthen the skills and education levels of its human capital, and ensure that its households, workers, and businesses have access to one key 21st century infrastructure—high speed broadband internet. The region has the lowest shares of its population with access to such a network among the six metro areas. Finally, to take advantage of its emerging position as an affordable "suburb" of New York, it needs a completed rail line linking the Scranton area to New York instead of the current terminus just inside the New Jersey border.

- The state capital, the **Harrisburg** metro area, exhibits all of the benefits that come with the stability of a government center as well as other industries, such as transportation and logistics. The area enjoys a good share of jobs in export industries, an educated workforce, and high percentage of the population with access to a high-speed broadband network. The city is beginning to experience a stronger downtown, with new restaurant openings and new pedestrian access and development along the waterfront. As a result, the Harrisburg area has experienced steady population and job growth in the past decade. To build on this progress, the region needs to diversify its economy, away from simply government and public sector jobs that result in many tax-exempt properties. To do that, it can embrace greater innovation and technology across its array of export industries and continue to improve the vitality and centrality of its older communities (the share of population living there ranks below the state average).

- The **Lancaster** metro area remains a strong manufacturing and agriculture center for the state, with significant export jobs in heavy and light manufacturing. The region contains a number of innovation-related assets, including a relatively solid share of workers in research and development and decent patenting activity, despite not capturing a pool of funding from venture capital or federal research agencies. The area's strong industry-based workforce development strategy, land use and farmland preservation policies, and downtown revitalization strategies have helped strengthen the area's economic assets and quality of life. To that end, greater Lancaster enjoyed the second fastest population and job growth among the six metro areas in the past decade. To stem the continued loss of manufacturing jobs and prosper, the region could bolster some of its assets. It has a relatively small share of its workforce with a college degree—only 22.9 percent of adults have a BA or higher and just 28.7 percent of adults have an associates degree or higher—and a relatively thin network of air, rail, and broadband infrastructure to serve a more modern, dynamic economy.[4]

These same assets and challenges can be said for other metro areas in the state. Johnstown, for instance, needs more innovation, technology, and commercialization to maintain existing manufacturing jobs and to create new jobs to replace the ones that have been lost.

Yet, one challenge binds these metro areas: The health of the overall metro areas masks the challenges faced by the cities and older communities. Between 2000 and 2005, the cities, boroughs, and first class townships all lost population while their outer areas grew. These cities and older communities, where the majority of Pennsylvanians live, have little economic and fiscal might to provide quality services and promote economic opportunities for existing families and firms, creating a vicious cycle of decline that many communities are trying to stem or reverse. Even in Lehigh Valley, where the region's overall growth is healthy, its three principal cities of Allentown, Bethlehem, and Easton saw their combined tax base grow by just 0.5 percent between 1991 and 2006. The tax base of the surrounding townships meanwhile expanded by 52 percent.[5] These fiscal and economic disparities will continue to widen, holding back the economic potential of the whole region, unless more deliberate actions are taken to leverage metro areas' assets, such as new transportation investments, in ways that provide growth and opportunity for all residents and communities.

In sum, Pennsylvania's metro areas boast a solid, yet at times uneven, set of assets that are key to long-term prosperity. While state and local leaders are actively pursuing and implementing reforms and new initiatives to build on these assets, they can not go it alone. The challenges of increasing global competition, economic restructuring, and changing demographics are far too large and important for the thousands of municipalities in the state to grapple by themselves or in collaboration with other jurisdictions, even within a metro area.

To date, the federal role has been largely absent or counterproductive. It is time for a federal government that acts as a true partner to state, local, and industry leaders to advance the nation's prosperity.

Federal Leaders Must Advance an Economic Agenda that Empowers States and Metro Areas to Leverage their Assets

As presidential candidates and their surrogates crisscross the Commonwealth, they would do well to articulate how Washington can promote strategic investments in the four assets that drive prosperity—innovation, human capital, infrastructure, and quality places—and ensure those assets are building jobs and opportunity in the state's job centers, their metro areas.

To do so, the candidates would be wise to build upon the progress and vision already set by the state and its local leaders and match their efforts with its own value-added solutions.

The Rendell administration, members of the Pennsylvania General Assembly, and local leadership have already accomplished a great deal since 2003.

- On innovation, the state department on economic development worked with local leaders to complete an analysis and strategy that identifies the key industry clusters that can help shape firm attraction and retention strategies in metro areas. Other state efforts, like the Keystone Innovation Zones and Ben Franklin Technology Partners have also been instrumental in promoting the creation of knowledge firms and university partnerships in key parts of the state.

- On human capital, the state department on labor and industry is considered a national leader in identifying priority industry clusters across the state and building workforce strategies around them.

- On transportation, the state transportation department has been applying "fix it" first principles to its infrastructure network, fixing many of its aging bridges and investing in mass transit. Meanwhile, the governor, through an executive order, created a state transportation finance commission which issued a report that recommended ways to pay for the many transportation repair and modernization needs of the state.

- On quality places, state agencies are prioritizing reinvestment to existing communities and places with existing infrastructure, among some of the criteria, and working to align transportation, community development, and economic development funding to these principles. Further, the Commonwealth has focused intensely on "restoring the cores" of its metropolitan areas—through catalytic investments in downtown revitalization, brownfields, and "community action" teams.

In short, the state and its local and regional partners are building on the key assets of its economy. The presidential campaigns, and federal decisionmakers, should follow their lead and amplify the economic visions of the state and its metro areas.

In that similar spirit, Brookings is offering the best ideas from state capitols and metropolitan areas across the country in our *Blueprint for American Prosperity*, advancing an agenda to promote more productive, inclusive and sustainable growth in our metropolitan areas, and thus nationwide.

Here are some ideas to consider:

1. Establish a Single, Federal Entity Dedicated to Promoting Innovation across all Industries, Large and Small

To speed high quality jobs and wage growth and compete in the global economy, Pennsylvania needs more innovation—more new products and services, new technologies, and new ways of organizing work and business processes. This includes R&D and support for technology-intensive industries such as information technology and pharmaceuticals, but it also includes making small and medium-sized manufacturers more competitive and training incumbent workers in manufacturing and low-tech services to work smarter.

Unfortunately, the federal government currently has no unified national strategy on innovation. Instead, it has a series of highly fragmented investments and programs, many of which are underfunded. Current programs put strong emphasis on research but are insufficiently attentive to the commercialization of that 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 recommend that the federal government create a National Innovation Foundation (NIF), a new, nimble, lean organization whose sole purpose would be to work with industries, universities and local and state governments to spur innovation. This is not a radical notion. Similar, successful national agencies can be found in developed countries and global competitors, such as Britain, France, Sweden and Japan.

What would NIF do? It would:

- **fund research consortia** between industry and universities to increase the potential for commercialization,

- **support innovation-based economic development** by offering grants to states to leverage activities in local and regional communities,

- **help small and mid-sized companies, both manufacturing- and service-based, modernize** by giving them the resources to adopt best practice production methods and new technologies to increase their productivity, and

- **bolster regional industry clusters** by giving competitive grants to these consortia to help them adopt key strategies to grow and prosper, such as marketing, workforce development and training, and innovation.

NIF would not try to pick industrial "winners" or give out no-strings-attached "corporate welfare" to businesses. Instead, it would work cooperatively with companies, state governments, and other organizations to help them produce the innovation that the nation needs.

Ultimately, this would mean more tools for the Pittsburgh area to help it successfully commercialize the IT and biotechnology research from its universities and help Lancaster with its efforts to strengthen and upgrade its manufacturing base.

Finally, the federal government must further Pennsylvania's commitment to building an energy independent economy by empowering its strong collection of research universities and institutions of higher learning to participate in energy research and commercialization. In particular, the federal government should complement its traditional energy-oriented lab system with a drive to create a new network of university-based "discovery institutes" in places like Pittsburgh to partner with the private sector in developing cutting-edge alternative energy solutions—and the jobs that will come with them—for U.S. and world consumers.

2. Build a More Affordable, Education Pipeline to Boost Human Capital

To compete on the global stage and to further innovation, Pennsylvania needs to boost the skills and educational levels of its citizens and attract more talented workers into the state. Only 25.4 percent of adults over age 25 in Pennsylvania have a bachelors degree, placing the state 27th in the nation.[6]

Federal policies on human capital are intensely compartmentalized and fail to draw the critical linkages between pre-K through 12, college education and skills training so that proficiency in lower grades translates into high school diplomas and college degrees. In addition, the federal government has failed to keep pace with the rising cost of college tuition. As a result, the American education pipeline is leaking with the U.S. ranked 16th among industrialized nations on the share of individuals who start and then complete higher education.

We recommend several action steps for the federal government.

- **To improve urban schools,** the federal government could provide greater support, in collaboration with public, private, and non-profit partners, to education entrepreneurs who are implementing results-based reforms in a growing number of communities across the country.

- **To make college more affordable**, the federal government should match, on a demonstration basis, the investments of state, local, private and philanthropic groups that provide financial guarantees for public high schools students in cities and older suburbs to pursue higher education. This would bolster efforts like CORE (College Opportunities Resources for Education) in Philadelphia which provides a scholarship for public school students in the city to cover first-year college expenses.

- **To increase the proportion of students who do not drop out of school but gain post-secondary credentials,** like a 2-year or 4-year college degree, the federal government should support new and improved accountability measures for high school students, enhance tracking of student outcomes between high school and college, and provide targeted assistance that puts post-secondary students on the pathway to a degree.

Furthermore, many communities in Pennsylvania are experiencing new growth and an influx of Hispanic workers and families, impacting everything from the success of immigrant children in schools to the role of immigrant workers in the labor force, small business start-ups, and other facets of the economy. This is especially true in growing job centers such as the Scranton/Wilkes-Barre/Hazelton area and in Lancaster County. The federal government needs to find ways to help states and localities address the diverse needs of immigrants children, students, and workers in their communities, while also enabling skilled immigrant workers (through H1B visas) to contribute to innovative industries in the U.S.

3. Fundamentally Overhaul Federal Transportation Policy to Match the Needs of a 21st Century Economy

To facilitate the movement of people, ideas and goods, Pennsylvania's infrastructure needs to be maintained and modernized. This applies to a fairly broad array of transportation assets: ports, rail freight hubs, passenger rail corridors, inter-modal facilities, interstate highways, county and city roads, and public transit.

Federal transportation policy, by contrast, is largely an unaccountable free for all, geared more to building bridges to nowhere than maintaining the ones we have, developing world class transit and inter-metropolitan rail or unblocking the movement of freight at our sea, rail and air hubs. The collapse of the Minneapolis bridge last summer was in many respects a tragic reminder of our misplaced and unfocused national policy.

To move toward a modern and accountable transportation network, we need to overhaul the entire federal vision and approach to transportation policy. To do that, we propose that:

- **The federal government must articulate a national vision and set of goals that define federal transportation policy today.** More than 6,000 earmarks in the last federal transportation reauthorization bill does not add up to a transportation vision or policy.

- **The federal government should lead in areas that truly transcend state borders, such as maintaining the interstate highway system, investing in key trade and transportation corridors, and making inter-metropolitan rail a reality.** In Pennsylvania, that could mean, for example, repairing I-95 and other parts of the interstate system which are critical to freight traffic and commuters in the state. This could mean making the northeast Amtrak corridor a successful and competitive advantage. It could also mean a commitment to more frequent and reliable rail service between major job centers like Scranton-New York, Philadelphia-Harrisburg, Lehigh Valley-Philadelphia, and Pittsburgh-Cleveland.

- **For the transportation needs within metropolitan areas, the federal government should give major metropolitan areas greater powers and flexibility to make their own priority transportation investments in exchange for greater accountability.** This would mean metro areas would be empowered to flexibly use dollars dedicated to roads, transit, and other purposes to advance their own goals, such as reducing traffic congestion, upgrading mass transit, reducing greenhouse gas emissions or creating residential and commercial development around transit nodes. This would also mean that metro areas would be rewarded, and empowered for linking transportation to their land use and economic redevelopment goals.

- **Finally, the federal government must commit itself to performance-driven, outcome-oriented decisionmaking.** To do that, the federal government needs to build a 21st century foundation of data, metrics, analytic tools and spatial planning techniques (now routinely deployed by our competitors in Europe) so that we can make decisions based on fact rather than political horse-trading and measure our progress towards clear national priorities.

4. Build Healthy Urban Neighborhoods and Quality Housing for All Workers

To attract and retain innovative firms and talented workers and grow in sustainable ways, Pennsylvania needs to revitalize its historic cities, boroughs, and urban places. These places are rich with the physical amenities – mixed use downtowns, historic buildings, campuses of higher learning, entertainment districts, pedestrian friendly neighborhoods, adjoining rivers and lakes – that are uniquely aligned with the preferences of a knowledge-oriented economy.

As with innovation, human capital and infrastructure policies, federal urban policies are remnants of an earlier era. Federal housing policies today largely fuel the expansion of McMansions at the periphery of metropolitan areas while failing to address the pressing demand for housing affordable to workers in cities and suburbs alike. The most successful neighborhood revitalization effort of the past four decades, the public housing transformation program called HOPE VI, is on "life support," a victim of ideological squabbling and budget constraints. And, federal support for environmental remediation and waterfront reclamation is anemic although these interventions are desperately needed in industrial states.

We recommend an extreme makeover for federal policies that build on the physical assets of cities and urban places. For instance:

- Federal housing policy must stop creating federal enclaves of poverty, support the development of affordable and workforce housing in cities and suburbs where jobs are located, and promote the production and preservation of mixed income housing.

- Federal transportation policy must aim to reconfigure 1950s-era urban infrastructure, particularly highways, which currently divide up traditional downtowns and block them from waterfront property. It should, for instance, reward state transportation departments, like PennDOT, for adhering to its own stated goal of linking transportation to land use, economic development and environmental stewardship.

- The federal government can lead a federally supported, privately led effort to retrofit millions of older homes to generate jobs and improve energy efficiency.

Conclusion: Towards a Prosperous Pennsylvania

The presidential candidates have an opportunity to speak directly to the long-term aspirations of Pennsylvanians. Nearly 80 percent of today's Pennsylvanians were born in the state—the second highest nativity rate in the nation—so their commitment to the Commonwealth runs deep and spans multiple generations. Pennsylvanians care deeply about the future of the state and the desire to pass on a healthier community for their children and family.

First, the future of Pennsylvania must come from its assets, particularly those that matter to adapt and prosper in today's global economy. These assets—innovation, human capital, infrastructure, and quality places—demand a more responsive federal role, and we have yet to hear enough from our candidates on how they will help Pennsylvanians leverage these key assets.

Second, the future of Pennsylvania rests in her metro areas, where 84 percent of the population lives, where 87 percent of the jobs are located, and where the bulk of the state's economic assets are concentrated. Thanks to these assets, Pennsylvania's metro areas generate 92 percent of the state's economic output and thus provide the kinds of jobs, opportunities and tax base that benefit the state as a whole. These metro areas are made up of thousands of cities, suburbs, small towns, and townships who come together, in partnership with the state and the private sector, to deliver the services and boost their assets in ways that make a regional economy prosper. If the candidates listen to local and private sector leaders in these metro areas, they will find integrated solutions to the economy that are rooted in their assets.

The presidential candidates and federal leaders need to deliver an economic vision for the nation that matches local and regional realities and helps states like Pennsylvania build on their assets.

- They must put its own innovation house in order and empower university-industry collaborations and industry clusters in metro areas convert research into jobs and help firms, large and small, modernize.

- They must go beyond No Child Left Behind and build an affordable continuum of education, from pre-K to higher education and skills training, that will help all Americans in cities and suburbs prepare for the jobs of the future.

- They must fundamentally overhaul federal transportation policy that meets the complete needs of a 21st century economy—from fixing aging roads and transit, to unclogging freight and commuter traffic, to building high-speed rail between economic centers.

- They must revitalize older communities through large-scale transformative investments and ensuring quality, mixed-income communities replace neighborhoods of poverty.

If presidential candidates spell out this economic agenda, they will give Pennsylvanians—and Americans—a real hope for a federal government that is a partner with them in building a more prosperous future.

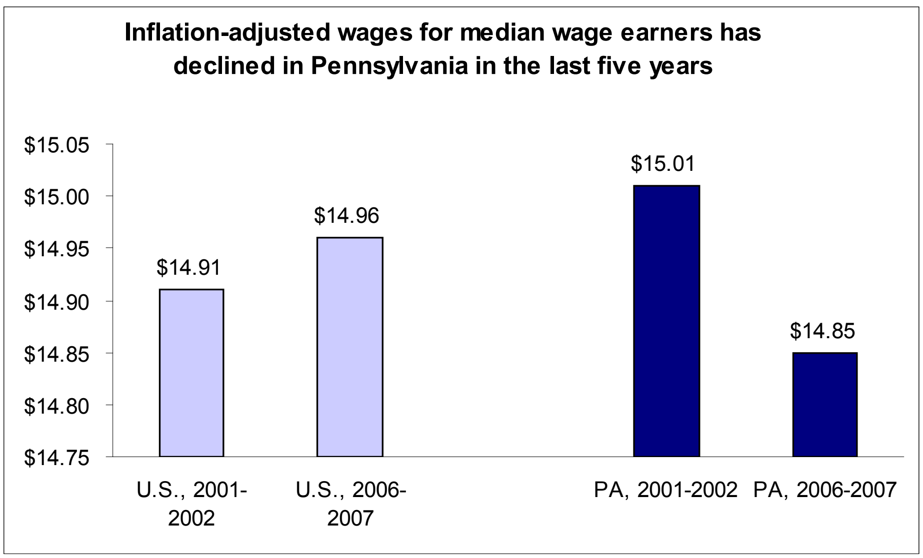
Endnotes

1 Brookings analysis of data from U.S. Census Bureau; Bureau of Economic Analysis, 2005.
2 *Ibid.*
3 Brookings analysis of Bureau of Labor Statistics, Current Employment Statistics, 2007.
4 U.S. Census Bureau, American Community Survey, 2006.
5 Community Action Committee of the Lehigh Valley, Inc. Lehigh Valley Planning Commission, Total Assessed Valuation of Taxable Property(1991 and 2006)
6 Brookings analysis of U.S. Census Bureau, American Community Survey, 2006.

Appendix 1: Overview of the Pennsylvania Economy

Pennsylvania is blessed with some enviable assets. But, the state and its many economic centers have been struggling to adapt to the changing rules of the global economy. In short:

• **Despite immense losses in manufacturing jobs, Pennsylvania has added a modest number of net new jobs in the past decade; however, average hourly wages have declined.** Pennsylvania added 1.84 percent new non-farm jobs between 2000 and 2007, and picked up that pace in the post-recession period of 2003 to 2007 with 3.3 percent job growth. Yet, the state's relative job performance among states remained the same in both periods, ranking 39th. [To be fair, the state's most recent one-year job growth performance lifted the state's ranking to 35th between 2006 and 2007.] This new job growth occurred despite the loss of more than 206,000 manufacturing jobs since 2000, the tenth largest percentage loss among states. With the disappearance of well-paying manufacturing jobs, the state saw its average hourly wages decline by 1 percent in the last five years.[1]



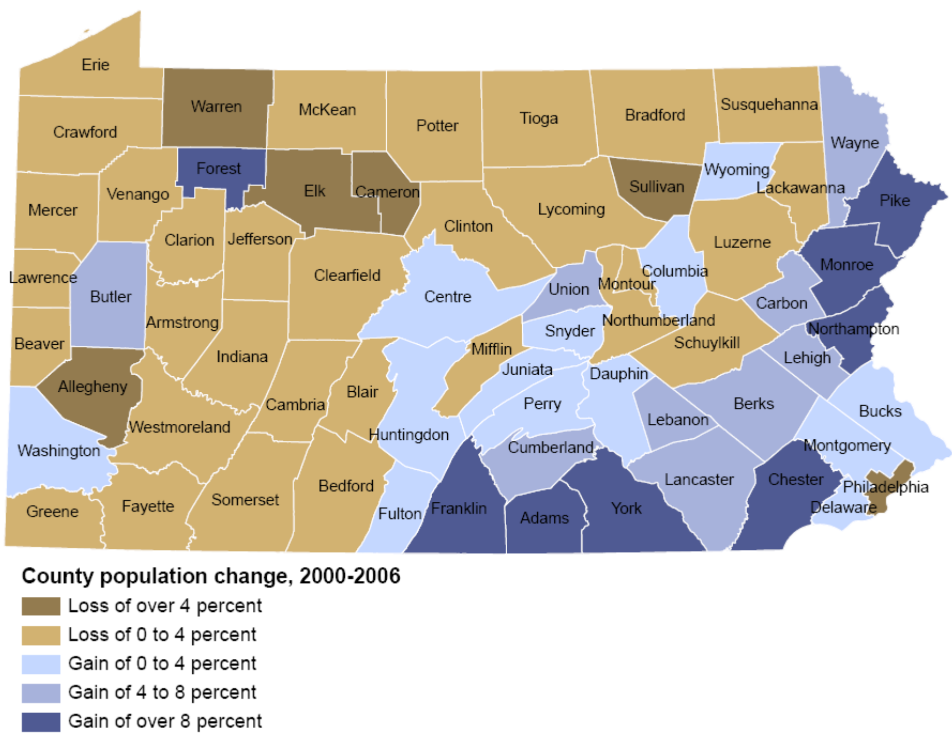
Source: Keystone Research Center analysis of U.S. Census Bureau, Current Population Survey

• **Pennsylvania is struggling to retain young and skilled workers while its labor force is aging.** In the 1990s, Pennsylvania lost the highest number of young people aged 25–34 among all 50 states. Since 2000, the state continued to experience a net out-migration of more than 21,600 residents, most of whom, on average, earn higher wages than those moving into the state. However, Pennsylvania may be turning this trend around: Between 2004 and 2006, the state benefited from a "brain gain," attracting a net in-migration of 12,900 adults with B.A. degrees.[2] Meanwhile, the state is home to the third highest concentration of older Americans.[3]

• **Pennsylvania's older communities are hollowing out at a time when talented workers and knowledge firms demand vital urban centers with dense clusters of people, jobs, and amenities.** The majority of Pennsylvanians (57 percent) live in older communities, such as cities, boroughs, and first class townships. But as a whole, these older communities lost population since 2000, while newer and outer areas grew. In fact, during the 1990s Pennsylvanians consumed nearly four acres of land per new resident, more than six times faster than the national average, despite experiencing stagnant population growth.[4] The result is an erosion of both the job and fiscal base in older core communities and the loss of valuable farmland and open spaces.[5]

• **Finally, there is wide variation across the state, with south central and eastern Pennsylvania enjoying relatively high population and job growth.** The Keystone state is a large and diverse state. In the most simplistic terms, most of the population and employment growth in the past decade took place along the south-central and eastern corridor, some of that benefiting from the Washington-Baltimore-New York economy. The western parts of the state still struggle economically.

The bulk of Pennsylvania's population growth took place in the south central and eastern parts of the state.



Source : U.S. Census, Population Estimates, 2000–2006.

Appendix Endnotes

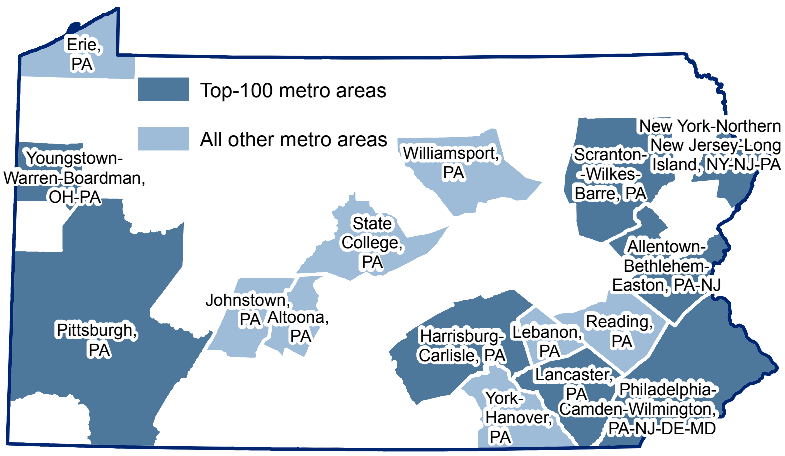
1 Brookings analysis of Bureau of Labor Statistics, Current Employment Statistics, 2007.
2 Brookings analysis of IRS county-by-county migration data, 2000-2005; U.S. Census Bureau, American Community Survey, Public Use Microdata Samples (PUMS), 2005-2006.
3 Brookings analysis of U.S. Census Bureau, American Community Survey, 2006.
4 USDA Natural Resources Inventory, 1982-1997, U.S. Census Bureau
5 Brookings analysis of U.S. Census Bureau, Population Estimates, 2000-2006.

Appendix 2: Pennsylvania State Profile

Blueprint for American Prosperity
Unleashing the Potential of a Metropolitan Nation

MetroNation Profile: Pennsylvania's Metropolitan Areas

This state profile demonstrates the importance of Pennsylvania's metropolitan areas, in terms of their contribution to the state's population, employment, and economic output.



Pennsylvania has eight of the nation's 100 largest metropolitan areas—Philadelphia, Pittsburgh, Harrisburg, Allentown, Scranton, Lancaster, Youngstown, and New York—which alone account for 70 percent of the state's population, 73 percent of the state's jobs, and 81 percent of the state's gross domestic product (GDP).

All 16 of Pennsylvania's metros constitute 84 percent of the state's population, 87 percent of the state's jobs, and 92 percent of the state's GDP.

		Population		*Jobs*		*GDP*	
Rank*	Metro area	Total	Share of state	Total	Share of state	Total (in millions)	Share of state
6	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	3,878,904	31.3%	1,965,869	33.1%	$207,432	42.7%
22	Pittsburgh, PA	2,381,671	19.2%	1,172,270	19.8%	$102,053	21.0%
74	Harrisburg-Carlisle, PA	520,690	4.2%	335,412	5.7%	$24,662	5.1%
68	Allentown-Bethlehem-Easton, PA-NJ	679,378	5.5%	306,679	5.2%	$22,880	4.7%
89	Scranton--Wilkes-Barre, PA	550,539	4.4%	269,294	4.5%	$17,052	3.5%
94	Lancaster, PA	489,936	3.9%	244,281	4.1%	$17,481	3.6%
92	Youngstown-Warren-Boardman, OH-PA	119,115	1.0%	51,524	0.9%	$3,119	0.6%
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	56,180	0.5%	11,922	0.2%	$772	0.2%
Pennsylvania metros in the top 100 nationally		**8,676,413**	**69.9%**	**4,357,251**	**73.4%**	**$395,451**	**81.3%**
123	York-Hanover, PA	408,182	3.3%	183,989	3.1%	$13,418	2.8%
134	Reading, PA	396,236	3.2%	175,506	3.0%	$12,946	2.7%
158	Erie, PA	280,184	2.3%	138,314	2.3%	$8,258	1.7%
214	State College, PA	140,313	1.1%	89,028	1.5%	$4,831	1.0%
264	Altoona, PA	126,572	1.0%	64,991	1.1%	$3,641	0.7%
273	Johnstown, PA	147,804	1.2%	61,996	1.0%	$3,470	0.7%
298	Williamsport, PA	118,102	1.0%	56,362	1.0%	$3,411	0.7%
324	Lebanon, PA	125,429	1.0%	49,766	0.8%	$3,130	0.6%
All 16 Pennsylvania metros		**10,419,235**	**84.0%**	**5,177,203**	**87.3%**	**$448,556**	**92.3%**

*Employment rank among all metro areas nationwide, based on Bureau of Economic Analysis 2005 wage and salary employment; rank is for entire metro, which may include areas outside of the state. However, population, jobs, and GDP numbers only include the in-state portions of the metros

Source: Brookings analysis of U.S. Census Bureau and Bureau of Economic Analysis data

Background and Acknowledgements

Brookings has been working closely with leaders in Pennsylvania for more than six years to help them identify policy solutions to the structural challenges they face to improve the economic and fiscal future of the state and its many communities. Our findings and their collective policy recommendations are summarized in two of our publications: "Back to Prosperity: A Competitive Agenda to Renew Pennsylvania" released in 2003 and its 2007 follow-up report, "Committing to Prosperity: Moving Forward on an Agenda to Renew Pennsylvania." The ideas and spirit of their efforts are captured in this brief (go to http://www.brookings.edu/reports/2003/12metropolitanpolicy_pennsylvania.aspx for more information).

We first want to give our heartfelt thanks to The Heinz Endowments and to the William Penn Foundation for their long-standing commitment to Pennsylvania and their support and advice to Brookings throughout our engagement in the Commonwealth.

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We also believe the ideas in the "Brookings reports" have resulted in policy, legislative, and organizing actions due to the persistence and creativity of the many state and local political, business, civic, and nonprofit leaders we have had the fortune to meet over the years. Their dedication to reform, and belief that change is possible, is at the heart of the improvements we are witnessing in the state. We remain large admirers of the people and leaders of Pennsylvania.

We do want to single out our gratitude to those leaders who have provided their quick and insightful guidance for this publication. In particular, we give thanks to Michael Langley, Allegheny Conference; Court Gould, Sustainable Pittsburgh; Steve Wray, Pennsylvania Economy League-Eastern Division; Alan Jennings, Community Action Committee of the Lehigh Valley; Todd Vonderheid and Larry Newman, Greater Wilkes-Barre Chamber of Business & Industry; Eric Menzer, Judith Schwank, and Julie Lalo, 10,000 Friends of Pennsylvania; and Donna Cooper and Roy Keinitz from the office of Governor Rendell. This brief benefited greatly from their skillful feedback.

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