

# Smarter, Stronger Cities: UK Urban Policy Innovations and Lessons for the US

Chris Webber, Centre for Cities (UK)

Alan Berube, Metropolitan Policy Program at Brookings

## *Executive Summary*

*A decade of policy innovation in the UK has stimulated population and economic growth in many of its cities and urban areas, helping them outpace the performance of most US counterparts. The combination of active leadership from the UK's central government on issues like making work pay and reducing poverty, greater flexibilities for cities and regions on issues like regeneration and transportation, and a national "bully pulpit" strongly supportive of urban areas, stands in contrast to the lack of bold, strategic thinking at the US federal level that could unleash the potential of American cities and metropolitan areas. Yet despite the governmental and cultural differences between the two nations, the past several years of US policy "exports" adapted and improved in the UK suggest the potential for enhanced transatlantic exchange. This brief points to several areas in which US federal policymakers might now import lessons from the UK's efforts to build smarter, stronger cities.*

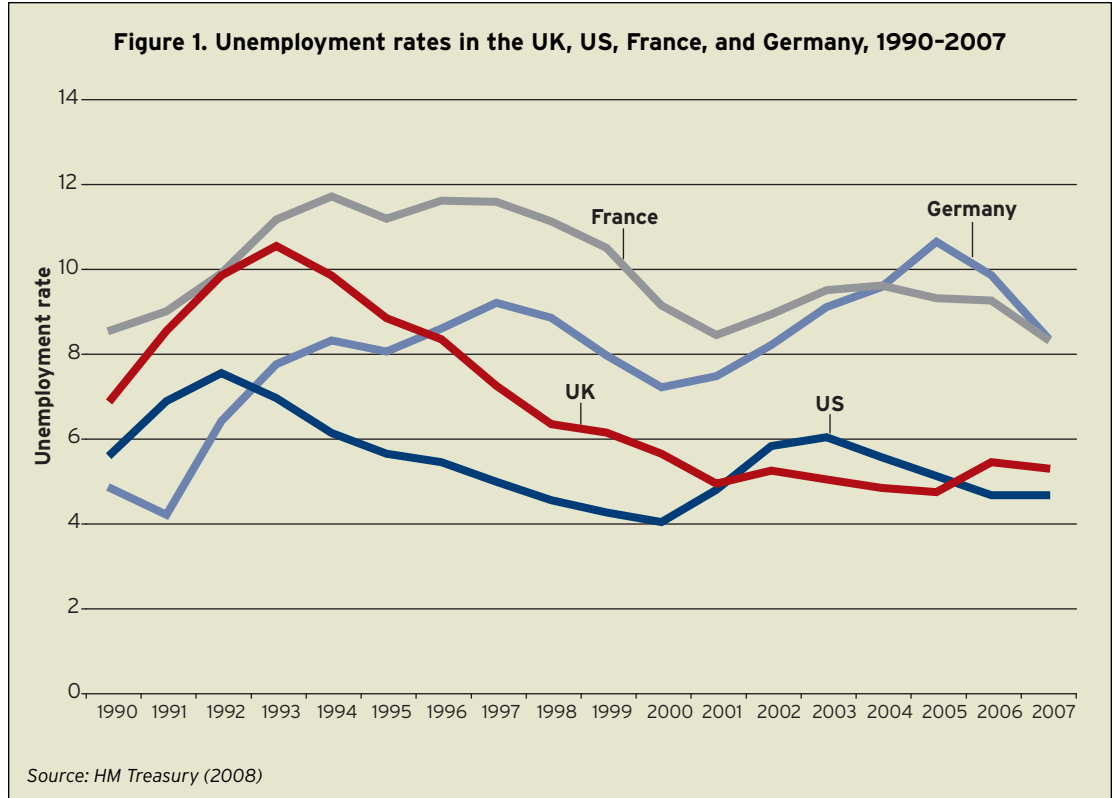
## Introduction

**M**any of the UK's cities have experienced a renaissance over the past ten years. Large-scale investment has transformed city centers in places like Birmingham and Manchester; Sheffield and other former industrial cities have enjoyed strong employment growth; and many cities, such as Bristol and Brighton, have seen steady population growth. The UK's national government has played an important role in this revival, with more investment and smarter policies. Though disparities remain, cities are now seen as positive economic drivers of, rather than drags on, the national economy. Today, UK policymakers are focused on addressing these disparities by boosting basic skills, increasing housing supply, improving public transportation, and dealing with economic inactivity in disadvantaged groups.<sup>1</sup>

Some US cities have done better in recent years as well, attracting new jobs, new residents, and new investment. Progress remains elusive in many others, however, and suburbs continue to dominate the growth and development landscape. Variation abounds, and almost no metro area has performed well across a full complement of economic, social, and environmental benchmarks. Yet unlike in the United Kingdom, the national government in the United States has largely failed to play a constructive role in advancing the fortunes of the nation's major cities and urban areas.<sup>2</sup>

Behind these comparisons, the UK and US systems of government differ substantially. In the UK, central government collects and distributes around 95 percent of all public funds.<sup>3</sup> Historically it has

“Despite the clear differences between the UK and the US, there are ample opportunities for policy learning between the two countries on issues of concern to cities and urban areas.”



taken the lead on all major policies affecting cities, including health, education, crime, transport and economic development. The last 10 years have seen a partial devolution of power to Scotland, Wales, Northern Ireland and England's regions, but central government still holds most of the cards on policy, funding and decision-making. Overall, the UK remains one of the most highly centralized countries in the industrialized world.

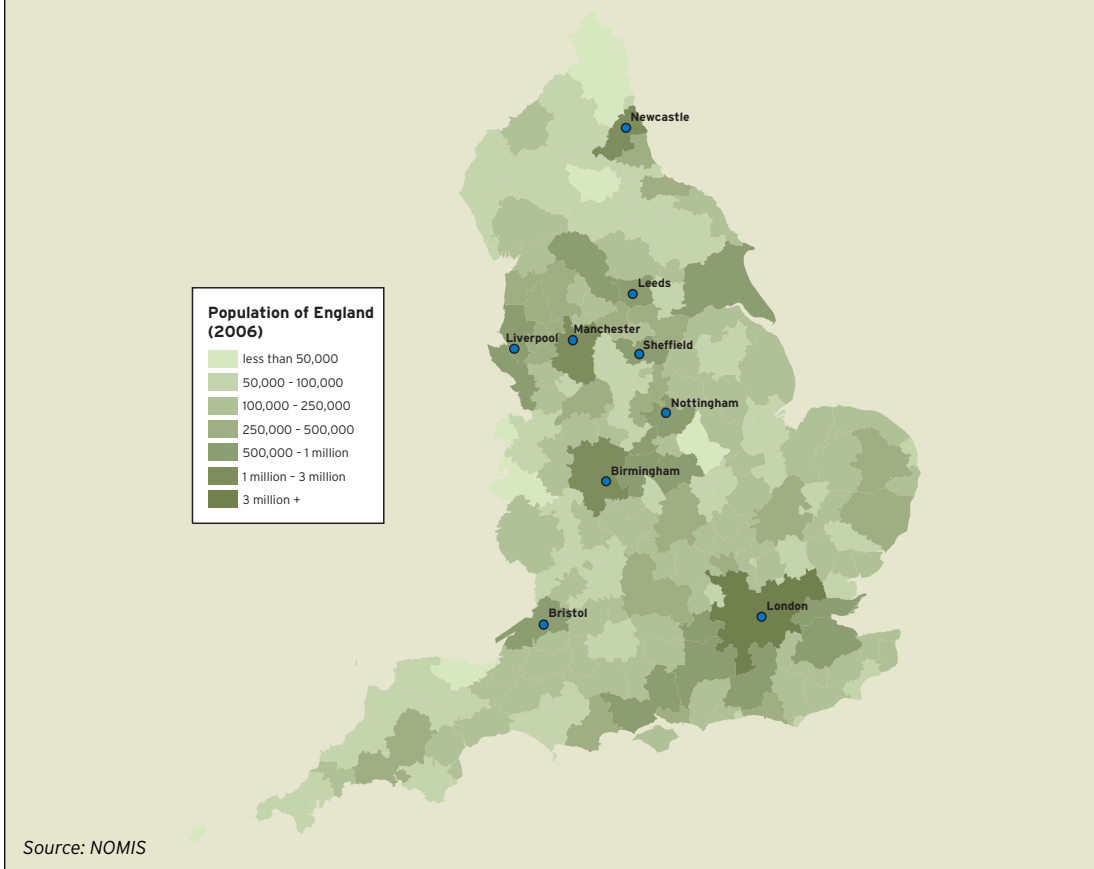
In the US, by contrast, the federal system limits the national government's capacity to influence policies and conditions within cities. In many of the policy areas noted above, the US national government takes a back seat to state and local governments in funding and implementation. But there remains considerable scope for Washington to shape the development of US cities through its myriad investments, rules, and information tools.

Despite the clear differences between the UK and the US, there are ample opportunities for policy learning between the two countries on issues of concern to cities and urban areas. In recent years, the flow of ideas has mostly gone in one direction. The UK has borrowed and adapted several economic policy innovations developed in the US, such as the Earned Income Tax Credit, the New Markets Tax Credit, and Business Improvement Districts. Few innovations have traveled in the opposite direction.

Building more prosperous cities and metropolitan areas is a central concern of the *Blueprint for American Prosperity*, an initiative launched by the Metropolitan Policy Program at Brookings. The initiative seeks to inform decision-makers at the US federal level about what innovations at the state and local levels, and internationally, can teach the US about efforts to secure greater prosperity through strengthening the performance of metropolitan areas. Given its recent success in revitalizing many of its urban areas, and its efforts to match metropolitan governance structures with functional economic areas, the UK's experiences in this area offer some useful lessons for US policymakers.

This paper explains how a combination of strong leadership, better coordinated funding, and innovative policies have helped to support positive change in the UK's cities and city-regions over the past 10 years. It then reflects on the implications of several of these UK policies for a US federal policy agenda to achieve robust economic, socially inclusive, and environmentally sustainable growth in US cities and metro areas.

**Figure 2. Major Population Centers in England, 2006**



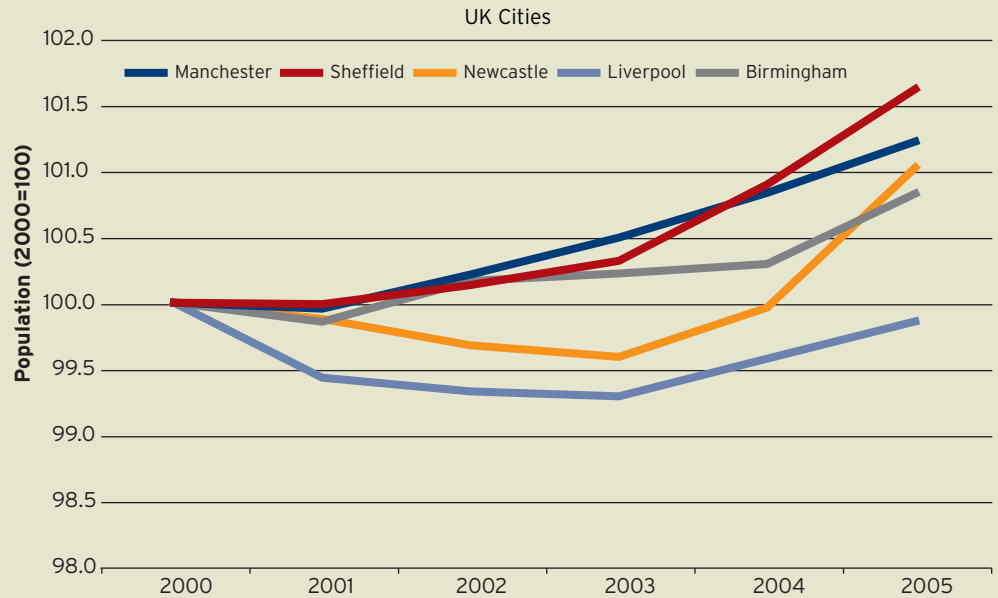
### Recent economic performance in the UK and its cities

The UK economy overall has performed relatively well over the past ten years. Growth has been stronger and more stable than for key trade partners, such as France and Germany. Unemployment has also fallen significantly, though it has risen slightly since 2005 (see Figure 1). However, the current slowdown in the international economy, continued financial market turbulence, and uncertainty in the housing market are all likely to curtail growth over the next few years.<sup>4</sup>

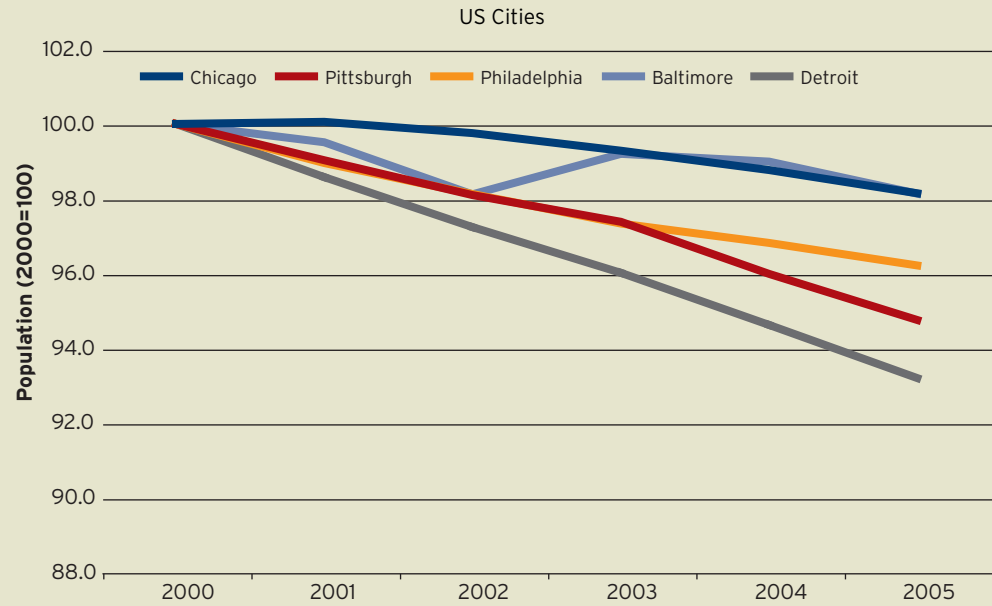
Cities are England's residential and economic hubs, with 58 percent of people living in recognized cities and 63 percent of people working in them.<sup>5</sup> But in England, as in the US, the functional economies of cities tend to stretch far beyond their political boundaries. Nearly 75 percent of England's population lives in city-regions (metro areas in the US), while nearly 80 percent of people work in them (see Figure 2).<sup>6</sup> Though more suburban in its orientation, the US is just as metropolitan a nation as England, with 83 percent of people living in US metro areas, and 85 percent of people working there. As in the US, however, fragmented governance structures across the UK's wider city-regional areas have led to policy coordination problems that have acted as barriers to effective decision-making.<sup>7</sup>

The UK's national growth story has been reflected in the revitalization of its urban areas, with many—but not all—seeing major improvements in their economic performance. London and the South East of England in particular have surged ahead, with the benefits of London's strong performance (especially in financial services) felt in many of the smaller cities surrounding the capital.<sup>8</sup> In the wider South East region, cities like Reading (about half an hour's train journey to west of the capital) and Brighton (about an hour to the south) have seen strong growth, with employment in both cities up by more than 20 percent since 1995.<sup>9</sup> And some large cities in the North of England have also experienced significant improvements, with employment growing strongly in ex-industrial cities like Leeds (15 percent) and Sheffield (25 percent) since 1995.

**Figure 3. Population Trends in Selected UK and US Cities, 2000-2005**



Source: State of the Cities Database



Source: US Census Bureau Population Estimates Program

Patterns of growth have been uneven in the UK, both between and within cities.<sup>10</sup> In particular, many smaller cities in the North have struggled, with places like Bradford and Burnley experiencing employment growth of less than 5 percent since 1995. Meanwhile, even seemingly high-performing cities continue to suffer from serious deprivation. For example, although Manchester is frequently seen as the best example of the UK's urban renaissance, it is also home to many of the UK's poorest neighborhoods.<sup>11</sup>

Yet the population “rebound” of the UK’s large, older industrial cities in recent years, after decades of decline, has been quite impressive compared to some US counterparts. After steady decreases throughout most of the 1990s, cities such as Manchester, Sheffield, Newcastle, Liverpool, and Birmingham have all experienced up-turns in population since the late 1990s. US cities such as Chicago, Pittsburgh, Philadelphia, Baltimore, and Detroit are largely on better footing now than 15 years ago, but have not experienced the same magnitude of population revitalization as their UK cousins (Figure 3). Moreover, some of these US cities and their wider regions have shed jobs in the 2000s, particularly in the manufacturing sector.<sup>12</sup>

It bears asking then, what policy choices the UK has made that have contributed to the improved situation of its cities and urban areas. The following discussion highlights six key areas in which the UK central government has implemented policies that have enhanced, through both direct and indirect means, the fortunes of cities.

### **Using the bully pulpit: Blair, Brown, and Prescott**

Until the 1990s, the UK’s major cities received relatively little attention from central government. The industrial decline of the post-war years created serious economic and social problems that were—and mostly still are—deeply entrenched. Central government had not rolled back urban programs to the degree that the US federal government did during the 1980s, but the economic health and performance of UK cities was not considered a top-level political priority.<sup>13</sup>

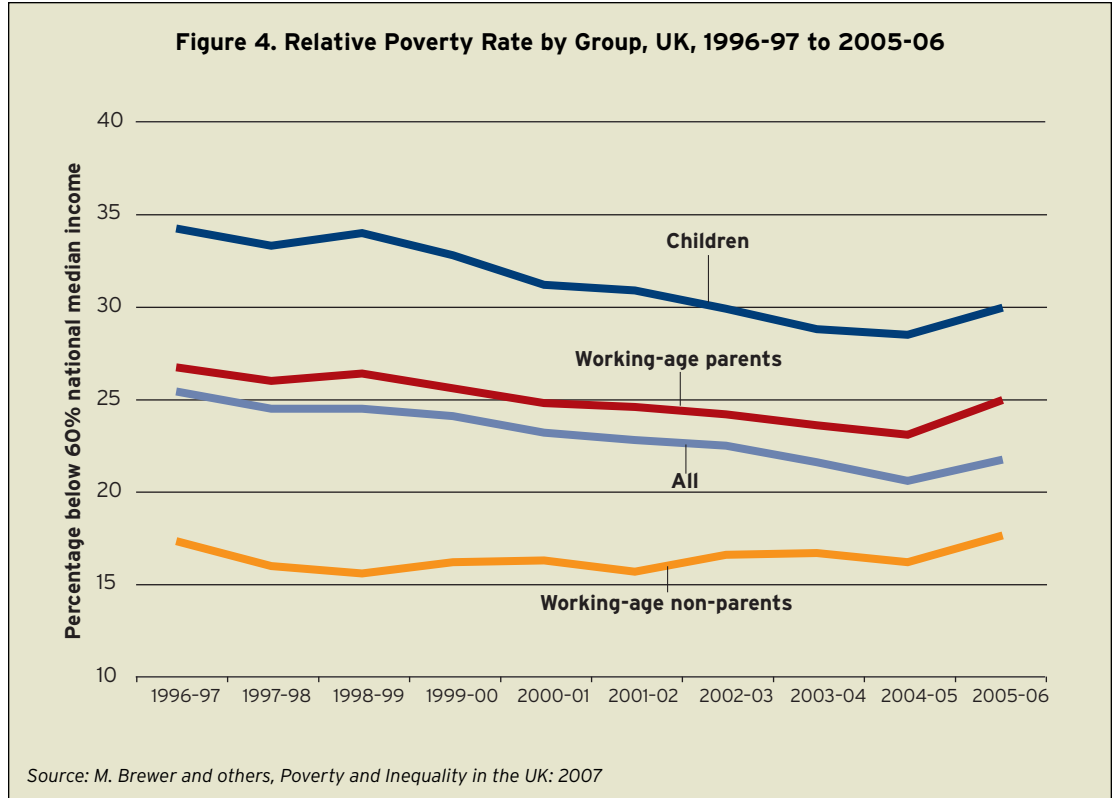
Building on the city development efforts initiated by Michael Heseltine under the previous Conservative government, the Labour government made physical regeneration, poverty and economic growth in underperforming areas major policy priorities. The government has placed greater emphasis on promoting regional economic growth, dealing with social disadvantage, and regenerating the physical environment, all of which have fed into a stronger focus on cities and urban areas.

- Gordon Brown, first as chancellor and now as prime minister, has promoted policies to boost productivity and enterprise, and to reduce child poverty, issues that have direct implications for UK cities
- As prime minister, Tony Blair established the Social Exclusion Unit, which introduced a major focus on stimulating the renewal of deprived inner-city areas, and developed a range of policies aimed at helping socially excluded groups, such as disadvantaged young adults
- John Prescott, the former deputy prime minister, set up an Urban Task Force of experts to advise the government on the physical aspects of urban renewal; promoted billions of pounds worth of investment in housing, transport and the built environment in distressed (mostly urban) areas; and hosted major national Urban Summits to report on the progress of cities and foster a network of city-builders across the UK

The personal commitment of national leaders like Blair, Brown and Prescott to urban areas significantly strengthened the position of cities in public policy. Dealing with issues of poverty and social exclusion in deprived neighborhoods has become more embedded in central, regional and local government policies. Cities are now seen as positive economic drivers of, rather than drags on, the national economy.

Progress has been uneven, however. Efforts to promote enterprise in deprived areas have had only marginal impact, with no clear rise in the number of business registrations per head. Although cities have risen up the political agenda, progress on empowering and raising the profile of city leaders has varied significantly. With the exception of the Mayor of London, a post created in 2000, city leaders still have limited power over spending decisions and tend to have a relatively low media profile. As a result, both the Labour government and Conservative opposition are currently considering the merits of a new generation of big-city elected mayors outside of London.

Recent years have not seen similar engagement by the US federal government in promoting the health of the nation’s cities. The US cabinet agency with the ostensible goal of strengthening cities and urban areas, the Department of Housing and Urban Development, has shrunk greatly in size and influence over the past decade. Stronger leadership from key decision-makers in Washington on promoting the health and vitality of US cities and metro areas could help them overcome barriers to growth and development, and bolster the national economy in the process.<sup>15</sup>



**Making work pay: Tax credits, minimum wage, and support for the unemployed**

Like many other countries, the UK struggles with the interrelated problems of unemployment and poverty, especially child poverty. During the 1980s and 1990s, unemployment and poverty increased significantly.<sup>16</sup> By 1996-97, 34 percent of the UK’s children were living in relative poverty, the highest rate in Europe.<sup>17</sup> These issues are particularly salient for urban areas, as both unemployment and poverty are heavily concentrated in the UK’s cities. For example, of the 89 most income-deprived local authorities (cities and towns) in England, 87 are located in cities.<sup>18</sup>

Over the last decade, the Labour Government has made reducing long-term unemployment and poverty key policy objectives, and has introduced an ambitious target to halve child poverty by 2010. The government has introduced a number of welfare and labor market reforms under the banner of “making work pay,” including a national minimum wage, a more comprehensive range of active labor market policies, and a system of in-work tax credits.

The UK introduced a national minimum wage in 1999. The independent Low Pay Commission analyzes the impact of the minimum wage and makes an annual recommendation to government on where the rate should be set. The current rate is £5.52 per hour (roughly \$11 at current exchange rates), substantially higher than the US federal minimum wage (currently \$5.85 per hour). Increases are not required by law, but the rate has been increased every year since its introduction, with increases well above the rate of average earnings growth between 2004 and 2006. As yet, research has detected little or no negative impact on unemployment.<sup>19</sup>

The idea for in-work tax credits was borrowed from the Earned Income Tax Credit (EITC) system in the US, but there are significant differences between the US and UK models. In the UK, there are two separate credits, a Working Tax Credit and a Child Tax Credit. The UK system is considerably more generous (and more complex) than the EITC, and provides stronger support for low-to-middle income families.<sup>20</sup> Moreover, the UK credits are paid on a monthly rather than an annual basis, helping families to meet ongoing expenses during the year.

The UK government has also introduced “New Deal” programs to provide tailored advice and support for hard-to-reach unemployed groups, including young people, single parents, and the disabled.

Labor market performance in UK metro areas has improved considerably over recent years, and

this has helped to reduce poverty. Part of this should be attributed to the UK's economic growth over the past 10 to 15 years, but the government's policies have played an important distributional role.

The minimum wage has increased incentives to work and helped to bring down poverty, ensuring that the lowest income groups have achieved above-average earnings growth.<sup>21</sup> New Deal programs have also done quite well; research has shown that the New Deal for Young People increases chances of finding work by 20 percent.<sup>22</sup> Tax credits for lower-income families have also achieved success, with evaluations showing that they have helped increase the supply of single parents and childless adults in the labor market by 5 percent and 2 percent, respectively.<sup>23</sup> In part as a result, the UK's overall employment rate has recovered strongly since the recession of the early 1990s. And although the UK looks unlikely to meet its target to halve child poverty by 2010-11, relative poverty has declined significantly since the late 1990s (Figure 4).<sup>24</sup>

Despite this progress, there remains much to do to fully address unemployment and poverty in the UK and its cities, with low employment rates still a major problem in many areas. The UK government is now considering giving cities more power to deliver this agenda through more flexible government grants (see section below on "Flexible Funding"). Still, central government in the UK has taken a leading role by addressing these problems with national policies, which in turn have redounded to the benefit of cities and their residents.

US cities suffer similar, well-known problems of long-term unemployment and poverty. While a majority of America's metropolitan poor now live in suburbs, poverty rates in central cities remain twice as high as in suburbs. US federal policymakers have shown less willingness to aggressively expand income and employment support for poor and working-poor families. The EITC was last enlarged significantly in 1993 and remains small for workers without children; the minimum wage was increased in 2007 but was not indexed to inflation, ensuring that its value will erode in future years; and funding to support the hard-to-employ has fallen in real terms in recent years.<sup>26</sup> US policymakers would benefit from taking a look at how their own ideas have been adapted and improved in the UK, to provide a more targeted approach to dealing with long-term unemployment and poverty, and ultimately to improve the social and economic health of the cities and metro areas where economically disadvantaged populations reside.

### **Growing sustainably: Cities and planning**

Like the US, the UK has struggled with the growth and development patterns of its cities and regions.<sup>27</sup> Improving the planning system and the capacity of city government planners remains a major challenge for UK policymakers, but the approach adopted over the past two decades has helped to contain sprawl and has prevented cities like Birmingham and Leeds from experiencing the sort of massive decentralization evident in cities like Atlanta and Houston.

Throughout the 1990s and 2000s, successive governments have issued planning statements, which together set out the planning policy framework for the UK. While local planning officials assess specific cases, they receive a strong national policy steer from these planning statements, which have increasingly focused on promoting "smarter growth."

One of the most successful of these statements established a "town center first" development principle, and was issued in 1996 by the Conservatives. This policy aims to limit the number of out-of-town, "big-box" retail developments. Retailers and developers first have to prove that an in-town development is not viable, before they can develop "edge-of-town" or out-of-town sites. Out-of-town sites are seen as the last resort, whereas in the US they remain the norm for new retail developments.

The "town center first" principle has been widely acknowledged as a success, and has played an important role in limiting urban sprawl and underpinning the physical regeneration of city centers. Research shows that the policy significantly reduced the number of planning approvals granted to out-of-town planning applications, and helped increase the proportion of total retail floor space found in town and city centers from 25 percent in the mid-1990s to 34 percent in 2003-04.<sup>28</sup>

In a similar vein, the UK government has also increased housing density and brownfield development. The housing density targets stipulate that new housing developments should be at a minimum

"Over the last decade, the UK government has made reducing long-term unemployment and poverty key policy objectives."

density of between 12 and 20 units per acre, depending on the character of the area in question. On brownfield land development, the government introduced a target to have 60 percent of all new residential developments sited on brownfield land by 2008. The UK has made excellent progress against both of these targets. The brownfield target was met in 1999, and by 2006, 74 percent of new developments were taking place on brownfield land. On the density target, by 2006 new dwellings were being constructed at an average density of 40 units per hectare nationwide, much better than in 2002 when all regions except London were registering density figures of below 30 units per hectare.<sup>29</sup>

The UK's planning system is far from perfect, and is still very complex. For example, businesses and policymakers frequently complain that it takes too long to get planning consent, especially for major developments and infrastructure projects. The 2006 Barker Review (see below) recommended numerous changes to the planning system, including the creation of an Infrastructure Planning Commission (IPC) to oversee major projects such as airports and power stations.

Across the US, metropolitan jurisdictions continue to employ traditional land-use regulations like zoning and comprehensive planning. However, other tools associated with land-use reforms—such as growth management and infrastructure regulation—are less common. This may reduce affordable housing opportunities, compromise sustainability, and fuel rapid growth in unplanned, low-density, car-dependent suburbs. For US states, the English example shows that clear guidelines and targets can be effective in controlling sprawl and shaping development: by prioritizing downtown development; promoting building at higher densities; and insisting that land is recycled more efficiently. National government in the US has less scope to engage directly in planning decisions, but has other significant policy tools at its disposal that shape metropolitan growth, including its investments in transportation, affordable housing, and economic development. It should use these levers to encourage cities and states to adopt “smarter growth” planning principles like those seen in the UK.

#### **Flexible funding: The move to smarter grants**

Compared to cities in the US, the UK's cities have very little financial independence from central government. For every £1 spent by Bristol City Council, for instance, only 25 pence comes from local taxpayers, with the remainder of their budget handed down through central government grants.<sup>30</sup> In the US, for every \$1 spent by cities, 70 cents comes from local sources, with an average of 5 cents from the federal government and 25 cents from states.<sup>31</sup>

In both countries, however, grants from the national government have historically come in numerous individual packages, each with its own targets and reporting requirements. Local and regional decision-makers have faced a bewildering array of funding pots that are too complex and inflexible to meet their needs.

To combat the fragmentation of funding in urban regeneration, the UK government has progressively simplified its regeneration funding processes over a number of years. Instead of having numerous departments make separate, uncoordinated investments, central government has recently taken steps to pool some grant funding and started to delegate greater spending decisions to cities and regions. Regeneration financing has become more responsive to local needs, and helped cities lever in additional funding from other public, private and European Union (EU) sources.<sup>32</sup>

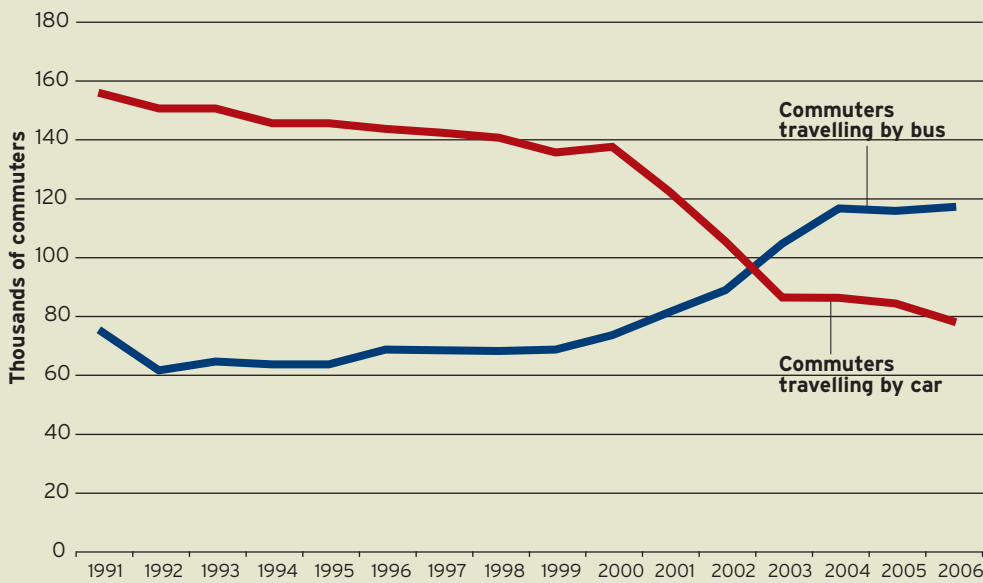
One of the first examples of this smarter approach to funding was the Single Regeneration Budget (SRB), which was established in 1995 and ran until 2007. Over this period, the SRB channeled more than £5.7 billion of public money into regeneration schemes, and leveraged in an additional £18 billion from other public, private and EU sources.

SRB funding was relatively small-scale, but it was an important first step towards the simplification of central government funding for cities. It combined 20 funding streams from several government departments to target issues like skills, business growth, community safety, and public space improvements. In Greater Manchester, SRB investments helped to revive rundown residential areas, and played a key role in regenerating the East-side area of the city in preparation for the 2002 Commonwealth Games.<sup>33</sup> In Sheffield, SRB money was used extensively in the revitalization of the city center, both as a means of direct investment in the physical environment and as a tool for leveraging other public and EU monies.<sup>34</sup>

“Local officials in the UK receive a strong national policy steer from planning statements, which have increasingly focused on promoting ‘smarter growth.’”



**Figure 5. Commuters Entering Central London by Bus and Car During Morning Peak (7 am to 10 am), 1991-2006**



Source: Transport for London

The process of funding simplification has now evolved further. Local Area Agreements (LAAs) were introduced in England in 2006, and all principal local authorities now receive funding via this channel. By 2010-11, approximately £5 billion in grant funding per year will be channeled through these arrangements.<sup>35</sup> LAA funds are drawn from numerous government departments, including education, health, transport, and local government.<sup>36</sup> The UK government is now introducing Multi-Area Agreements (MAAs) in England. These will allow groups of local authorities in city-regions to pool funding and decision-making powers in key policy areas, such as transport and skills, and improve the efficiency of their strategic decision-making and spending across functional economic areas. This could help to overcome some of the policy coordination problems that have held back growth in England's urban areas.

The UK's experience suggests that pooling and simplifying central government grant funding can give metro-level actors the flexibility needed to use investment more effectively. The US might consider how its funding for physical and economic development could better empower metro-level decision-makers to deliver improved outcomes across related policy areas.

**Combating congestion: Road pricing**

Like many other major cities, London suffers from serious traffic congestion. In order to combat congestion, and to raise money for investment in public transportation, London's former Mayor, Ken Livingstone, introduced the Congestion Charge in 2003 amid widespread skepticism. The charge was implemented with reluctant support from central government, which paid the set-up costs for the system, and increased bus subsidies to give Londoners more transportation options ahead of the charge's introduction. The charge is part of a wider transport strategy with economic, social, and environmental objectives.<sup>37</sup>

Currently, the Congestion Charge requires motorists to pay a levy when entering the Central/Western London area between 7 am and 6 pm on weekdays. The most recent figures show that the scheme generates £213 million per year in revenue, with £90 million going to administration and the remainder invested in public transportation, especially the bus network.<sup>38</sup> Recent research by Transport for London shows that the number of commuters entering central London by car during the

morning peak has fallen by 35 percent since 2002, while the number entering by bus has increased by 24 percent (Figure 5).<sup>39</sup> The distribution of the economic costs and benefits of the Congestion Charge is complex, but the most recent assessment finds that the scheme has created a small net benefit for the London economy.<sup>40</sup>

A few other UK cities are now exploring the idea of introducing some form of road pricing. Greater Manchester and Cambridge have progressed the furthest; both cities are considering schemes which charge for the use of main roads into the city at peak travel times. There are many different models of road pricing in cities, and there is a debate to be had about how London's charge might be further reformed to increase the benefit it brings to the economy.

Many of the largest cities and metro areas in the US suffer from chronic traffic congestion.<sup>41</sup> To date, five urban areas (Miami, Minneapolis, New York, San Francisco, and Seattle) have entered into partnerships with the federal government to explore congestion pricing; New York's state assembly has, however, blocked Mayor Bloomberg's plans for the city of New York, and some of its funding has been redirected to Chicago.<sup>42</sup> These and other US cities might learn from London's experience when setting out their objectives, particularly with regard to increased investment in transit, and making a case for federal government support.

### **National policy reviews: Developing an evidence base**

One of the defining characteristics of the Labour government has been its emphasis on evidence-based policy. Gordon Brown has been the driving force behind the government's use of large-scale, independent policy reviews, commissioning about 30 of them during his time as chancellor.

These reviews have usually been in step with government thinking, and have been a useful way of accelerating policy development. They have been led by respected business leaders, academics or other high-profile public figures, giving them focus and momentum. They have also been staffed by cross-departmental teams of civil servants and experts, usually based inside the Treasury, helping them to avoid getting bogged down in inter-departmental inertia.

Several major reviews have reported over the past two years and have helped to shape UK urban policy:

- ***Eddington Transport Study (2006)***<sup>43</sup>

Sir Rod Eddington, former Chief Executive of British Airways, led this report which emphasized the improvements that could be made through smart transportation investments at key urban "pinch points" rather than in expensive, large-scale projects such as high speed rail links

- ***Leitch Review of Skills (2006)***<sup>44</sup>

Lord Sandy Leitch, a high-profile businessman who has been heavily involved in national skills debates, focused his review on the need for local, city and regional decision-makers to address their basic and intermediate skills shortages by making skills provision more demand-led

- ***Barker Review of Land-Use Planning (2006)***<sup>45</sup>

Kate Barker, former Chief Economist for the Confederation of British Industry and member of the Bank of England's Monetary Policy Committee, led this review which looked at how the UK's planning system could be improved by making it more efficient and responsive

- ***Lyons Inquiry on Local Government (2007)***<sup>46</sup>

Sir Michael Lyons, a former Chief Executive of Birmingham City Council, and now Chairman of the BBC Trust, led an inquiry which examined how local and city-regional financing and governance systems could foster better public services and infrastructure

- ***Sub-National Review of Economic Development (2007)***<sup>47</sup>

Treasury's review reported on how different levels of government—local authorities, regional agencies and central government—could deliver stronger economic growth in cities and regions around the UK

These reviews and others were further supported by an extensive series of in-depth economic reports issued by the Treasury under Chancellor Gordon Brown's leadership, including examinations of the role of the UK in the global economy, skills needs in the UK workforce, and the importance of city-regions to UK economic growth. All fed into the government's wider 2007 Comprehensive Spending Review, the government's budgetary template for the period from 2008 to 2011.<sup>48</sup> The reviews have played an important role in analyzing challenges, evaluating options for change and informing discus-

sions about spending and public service reform. Importantly, they have also helped to reshape the relationship between Whitehall and the regions, adopting a stronger metro/city-regional focus on transportation and skills, for example. Given the scale of challenges facing US cities and regions on a wide range of issues, the US could gain from a similar series of independent, evidence-based policy reviews to drive forward reforms in the next presidential administration and Congress.

### **Implications for the United States**

After a decade or more in which transatlantic policy transfer has largely moved west-to-east, now is an opportune time for the United States to learn from the policy experiences of the United Kingdom. This brief suggests multiple ways in which UK efforts to build stronger city-regions might guide a US federal policy framework for maximizing the performance of its metropolitan areas.

#### *Using the bully pulpit*

It is still unclear whether the upcoming US presidential and Congressional elections will yield vocal champions for cities and metropolitan areas like Blair, Brown, and Prescott in the UK. Though 83 percent of Americans live in cities and suburbs that contribute an even greater share of the nation's economic output, the small-town/rural idyll in American politics and governance still holds great sway, and "urban policy" most often implies narrow strategies to help impoverished inner-city communities.

Yet all US communities and their residents would benefit from a smarter "metropolitan policy." That does not mean pouring or redirecting massive new resources into our cities. Rather, it entails investing wisely in the assets that drive our economy forward and help ensure we grow in more inclusive and sustainable ways: innovation, human capital, infrastructure, and quality places.<sup>49</sup> Because US metropolitan areas gather the bulk of these assets, they have much to gain from a new partnership in which the federal government leads on issues of national importance like immigration, climate change, and critical infrastructure; and empowers city-regions to tackle their own specific challenges in areas such as education, cluster-led economic development, and affordable housing.

In that sense, a new Administration and Congress in 2009 focused on enhancing the fundamental drivers of American prosperity would not necessarily look like the UK's urban champions, but their actions could yield similar benefits for urban places.

#### *Making work pay*

The UK's policies to enhance incomes for low-wage workers effectively imported elements of, and then improved upon, US policy innovations like the Earned Income Tax Credit (EITC) and welfare reform. Today, a low-income working parent with two children could earn more than three times as much via the Working and Child Tax Credits and Child Benefit in the UK as a comparable parent would in the US via the EITC and Child Tax Credit.<sup>50</sup>

If America hopes to achieve progress similar to the UK in reducing childhood poverty or engaging a larger share of its adults in the labor market, it should follow that nation's lead in boosting supports for low-income workers.<sup>51</sup> For instance, the federal government could expand the EITC to reach more childless workers, relieve the "marriage penalty" on dual-earner low-income couples, and provide additional assistance to low-income workers with three or more children. It could also deliver the credit on a periodic basis, as the UK does, to more workers in order to help them meet the day-to-day, week-to-week costs of raising a family. Such changes would have direct benefits for major US city-regions, where about 60 percent of EITC recipients live today.<sup>52</sup>

#### *Growing sustainably*

The United Kingdom has moved aggressively to address sustainability challenges through housing, land use, and transportation policies. As the world's largest per-capita emitter of carbon dioxide, the United States must respond to the challenges of climate change in a much more serious way than it has to date. Certainly, pricing carbon to reflect its full range of economic and environmental costs, through a nationwide tax on emissions or a cap-and-trade system, could go a long way toward re-orienting development in support of quality, sustainable places.

"All US communities and their residents would benefit from a smarter 'metropolitan policy.'"

America could also borrow from the UK's recent moves to favor denser development in existing places as a mechanism for reducing its own carbon footprint. The sort of centralized density and brownfield targets and "town center first" rules employed in the UK have little chance of being adopted at the national level in the United States, where land-use planning is much more localized. Yet the federal government could use its considerable leverage to put transit and highway investments on a level playing field, to bend housing growth toward corridors served by transit, and to require housing planning to be "joined up" with transportation planning at the metropolitan scale.

The United States should also, as the UK has, embrace transportation pricing and related market mechanisms to achieve sustainable growth goals, and enhance economic efficiency. The US federal government has begun to stimulate these schemes in a handful of metropolitan areas through the Urban Partnership Congestion Initiative (though it unfortunately used existing federal transit funds to help pay for the initiative). Based on positive experience abroad, the next Administration and Congress should lay out a bold, flexible policy for metropolitan road pricing that includes a range of strategies, permitting US city-regions to experiment with the best mix of pricing tools for their areas.<sup>53</sup>

### *Funding Flexibly*

The UK's success with the Single Regeneration Budget has helped pave the way for further simplification of central government funding for its city-regions. Yet in areas such as economic development, workforce development, housing, and transportation, US federal policies, rules, and stances remain rigidly "stovepiped" despite the fast-paced, integrated nature of our metropolitan economies.<sup>54</sup>

US federal policy must do more to empower metropolitan decision makers to resolve their own specific challenges, backed by clear outcome-based targets to ensure that flexibility and accountability go hand in hand. In the transportation realm, for instance, a significantly greater share of federal dollars should be delivered directly to Metropolitan Planning Organizations (MPOs), in recognition of the economic primacy of metro areas and growing analytical capacity of MPOs. This increased spending authority should also be accompanied by increased measurement and accountability for how funds are spent with an eye toward growing the analytical capacity of MPOs.

Rather than funding highways and transit through separate programs, governed by different laws and regulations, federal transportation policy should become "modally agnostic," enabling metro areas to meet their goals and address their challenges via the best means available, rather than being constrained by rules governing particular modes (e.g., highway, transit, bike/pedestrian, air). And transportation, housing, and land-use should be joined up through a new set of federally funded Sustainability Challenge Contracts intended to stimulate integrated approaches to metropolitan development and reduction in greenhouse gas emissions.<sup>55</sup>

### *Using independent analysis strategically*

The United States has an impressive history of independent, bi-partisan Presidential and Congressional Commissions that have conducted serious analyses and made recommendations for reform; the National Commission on Terrorist Attacks Upon the United States (the 9-11 Commission) was the most recent and notable of these. Several others have reported out in recent years on issues of great economic importance to our metro areas and their residents, such as tax reform, higher education, affordable housing, and transportation.<sup>56</sup>

Unfortunately, lawmakers have failed to adopt many of the sensible recommendations laid out by these commissions for several reasons, including (but not limited to) excessive partisanship, the influence of special interests, and party (as well as philosophical) divisions between the White House and Congress. Independent reviews in the UK have successfully accelerated policy reform due in no small part to the nation's parliamentary form of government; the US system, by its very nature, poses many more roadblocks.

One part of the answer may lie in insulating the recommendations of certain government commissions and independent bodies from the inertia and political challenges of the Washington policy process. The US model often cited is that of BRAC, the Defense Base Realignment and Closure Com-

"The United States should, as the United Kingdom has, embrace transportation pricing and related market mechanisms to achieve sustainable growth goals, and enhance economic efficiency."

mission, the recommendations of which become law unless they are explicitly rejected by Congress. Such a model could usefully be applied to the selection of federal transportation investments in key corridors and gateways of national travel and international trade. A permanent, independent Strategic Transportation Investments Commission would identify, describe, and map specific priority projects with Congress having the right to vote up or down on the map, without amendment.<sup>57</sup> The Education Department might adopt a similar approach to stimulate true innovation in elementary and secondary education, using independent reviews to recommend investment opportunities free of the politics that have guided such spending in the past.<sup>58</sup>

## Conclusion

**T**en years of active policy fermentation across the Atlantic have helped yield better outcomes for the UK's major cities and their residents. The UK provides a model of what a vigorous commitment by national government to the health and vitality of urban areas can achieve not only for those places, but also for the country as a whole. Despite differences in its system of government and in its cultural view of cities, the US is as metropolitan a nation as UK, and a great deal of policy innovation has traveled from the US to the UK in recent decades. In view of the successes achieved by UK cities, the continuing efforts its government is making to raise their performance nationwide, and the challenges that continue to face many US cities, now is an opportune time to reverse the flow. The UK's experiences usefully inform efforts to build stronger American cities and metropolitan areas through smart policy reforms.

“The UK provides a model of what a vigorous commitment by national government to the health and vitality of urban areas can achieve not only for those places, but also for the country as a whole.”

## Endnotes

1. Centre for Cities, *Cities Outlook 2008* (London: Centre for Cities).
2. M. Muro, "MetroPolicy: Shaping a New Federal Partnership for a MetroNation" (Washington: Brookings Institution, 2008).
3. HM Treasury, *Budget 2008* (London: HMSO, 2008).
4. The UK government has revised downwards economic growth forecasts for the UK, to 1.75 to 2.25 percent in 2008, 2.25 to 2.75 percent in 2009, and returning to 2.5 to 3 percent in 2010. Most independent forecasts have even lower projections. HM Treasury, *Budget 2008*.
5. Department for Communities and Local Government, State of the English Cities Database (London: DCLG, 2007). Cities are defined as Primary Urban Areas with populations of 125,000 or greater, which are based on the physical extent of cities rather than on local authority boundaries. In that sense, they are more comparable to urban areas in the United States than to the political units that Americans refer to as "cities." Data are reported here for English cities, as similar data are less available for cities in Scotland and Wales.
6. DCLG, *State of the English Cities Database*.
7. HM Treasury, *Review of Sub-National Economic Development and Regeneration* (London, 2007).
8. P. Lucci and P. Hildreth, *City Links: Integration and Isolation* (London: Centre for Cities, 2008).
9. DCLG, *State of the English Cities Database*.
10. Centre for Cities, *Cities Outlook 2008*.
11. Department for Communities and Local Government, *Index of Multiple Deprivation 2007* (London: DCLG, 2007).
12. H. Wial and A. Friedhoff, "Bearing the Brunt: Manufacturing Job Losses in the Great Lakes Region, 1995-2005" (Washington: Brookings Institution, 2006).
13. On US federal policies towards cities during the 1980s, see B. Wallin, "Budgeting for Basics: The Changing Landscape of City Finances" (Washington: Brookings Institution, 2005).
14. Office of the Deputy Prime Minister, *State of the English Cities* (London: ODPM, 2006).
15. A. Berube, "MetroNation: How US Metropolitan Areas Fuel American Prosperity" (Washington: Brookings Institution, 2007).
16. M. Brewer and others, *Poverty and Inequality in the UK: 2007* (London: Institute for Fiscal Studies, 2007).
17. Relative poverty is measured as the proportion of people in households with incomes at or below 60 percent of the national median.
18. Drawn from the "income scale" used in England's Index of Multiple Deprivation. This uses a composite of income-related measures to assess income deprivation. DCLG, *Index of Multiple Deprivation 2007*.
19. D. Metcalf, "Why Has the British National Minimum Wage Had Little or No Impact on Employment?" (London: LSE, 2007).
20. R. Blundell, "Earned Income Tax Credit Policies: Impact and Optimality" (London: The Adam Smith Lecture, 2005).
21. Low Pay Commission, March 2008: *National Minimum Wage. Low Pay Commission Report 2008* (London: Low Pay Commission, 2008).
22. Department for Work & Pensions, *Findings from the Macro Evaluation of the New Deal for Young People* (London: DWP, 2002); National Audit Office, *The New Deal for Young People* (London: NAO, 2002); R. Riley and G. Young, *New Deal for Young People: Implications for Employment and the Public Finances* (London: National Institute for Economic and Social Research, 2000). Research suggests that the New Deal has been somewhat less effective in cities than elsewhere, however.
23. Based on an evaluation of the Working Families Tax Credit, the precursor to the Working Tax Credit and Child Tax Credit. M. Brewer and others, *Did Working Families' Tax Credit work? The Final Evaluation of the Impact of In-Work Support on Parents' Labour Supply and Take-Up Behaviour in the UK* (London: HM Customs and Revenue, 2005); I. Mulheirn and M. Pisani, *Working Tax Credit and Labour Supply* (London: HM Treasury, 2008).
24. M. Brewer and others, *Poverty and Inequality in the UK: 2007*.
25. A. Berube and E. Kneebone, "Two Steps Back: City and Suburban Poverty Trends, 1999-2005" (Washington: Brookings Institution, 2006).
26. For instance, Blank and Kovak find that the US has decreased support for non-working, non-disabled individuals over the past 15 years. R. Blank and B. Kovak, "The Growing Problem of Disconnected Single Mothers." National Poverty Center Working Paper #07-28 (University of Michigan, 2007).
27. B. Katz, "Smart Growth: The Future of the American Metropolis?" (London: LSE, 2002).
28. K. Barker, *Barker Review of Land Use Planning: Final Report* (London: HM Treasury, 2006).
29. Department for Communities and Local Government, *Land Use Change in England: Residential Development to 2006* (London: DCLG, 2007).
30. P. Bolton and E. Wood, *Local Government Finance in England: Replacing the Standard Spending Assessment* (London: House of Commons, 2002).
31. Wallin, "Budgeting for Basics."
32. Department for Transport, Local Government and the Regions, *Lessons and Evaluation Evidence from Ten Single Regeneration Budget Case Studies: Mid-Term Report* (London: DTLR, 2002).
33. K. Barnsley, *Integrating and Sustaining Communities: Salford's SRB 5 Final Programme Evaluation* (Manchester: Quaternion, 2007).
34. Ecotec, *Mid-Term Evaluation of the Sheffield SRB 5/6 Programme* (Birmingham: Ecotec, 2004).
35. Communities and Local Government, *Area-Based Grant: General Guidance 2008* (London: CLG, 2008); National Audit Office, *Local Area Agreements and the Third Sector: Public Service Delivery* (London: NAO, 2007).
36. Communities and Local Government, *Area-Based Grant*.
37. Mayor of London, *The Mayor's Transport Strategy* (London: GLA, 2001).
38. Transport for London, *Central London Congestion Charging: 5th Annual Impacts Report* (London: Transport for London, 2007).

39. Transport for London, *London Travel Report 2007* (London: Transport for London, 2007).
40. R. Evans, *Central London Congestion Charging Scheme: Ex-Post Evaluation of the Qualified Impacts of the Original Scheme* (London: Transport for London, 2007).
41. Texas Transportation Institute, *2007 Annual Urban Mobility Report* (College Station, TX: TTI, 2007).
42. J. B. Lee, "Chicago Gets New York's Congestion Money." *The New York Times*, April 29, 2008.
43. R. Eddington, *The Eddington Transport Study* (London: Department for Transport, 2007).
44. S. Leitch, *Prosperity for all in the global economy: World class skills, Final Report, Leitch Review of Skills* (London: HM Treasury, 2006).
45. K. Barker, *Barker Review of Land Use Planning*.
46. M. Lyons, *Place-Shaping: A Shared Ambition for the Future of Local Government: Lyons Inquiry into Local Government Final Report* (London: HM Treasury, 2007).
47. HM Treasury, *Review of Sub-National Economic Development and Regeneration* (London: HM Treasury, 2007).
48. HM Treasury, *Meeting the aspirations of the British people: 2007 Pre-Budget Report and Comprehensive Spending Review* (London: HM Treasury, 2007).
49. Such an agenda is described in further detail in M. Muro, "MetroPolicy."
50. S. Holt, "Periodic Payment of the Earned Income Tax Credit" (Washington: Brookings Institution, 2008).
51. Expanding the EITC is a signature recommendation of the Center for American Progress' Task Force on Poverty, which calls for a strategy to cut US poverty in half in 10 years. M. Greenberg, I. Dutta-Gupta, and E. Minoff, "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half" (Washington: Center for American Progress, 2007).
52. See A. Berube, D. Park, and E. Kneebone, "Metro Raise: Boosting the Earned Income Tax Credit to Help Metropolitan Workers and Families" (Washington: Brookings Institution, 2008).
53. M. A. Brown, F. Southworth, and A. Sarzynski, "Shrinking the Carbon Footprint of Metropolitan America" (Washington: Brookings Institution, 2008).
54. Muro, "MetroPolicy."
55. R. Puentes, "A Bridge to Somewhere: Rethinking American Transportation for the 21st Century" (Washington: Brookings Institution, 2008).
56. President's Advisory Panel on Tax Reform, "Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System" (2005); The Secretary of Education's Commission on the Future of Higher Education, "A Test of Leadership: Charting the Future of US Higher Education" (2006); Millennial Housing Commission, "Meeting Our Nation's Housing Challenges" (2002); National Surface Transportation Policy and Revenue Study Commission, "Transportation for Tomorrow: Report of the National Surface Transportation Policy and Revenue Study Commission" (2008).
57. Puentes, "A Bridge to Somewhere."
58. A. Rotherham and S. Mead, "Changing the Game: A Federal Role in Supporting 21st Century Education Innovation" (Washington: Brookings Institution, forthcoming).

## Acknowledgments

The authors thank Dermot Finch, Adam Marshall, Mark Muro, Jennifer Vey, and Julie Wagner for their helpful comments and guidance on drafts of this report.

### For More Information

Chris Webber, Analyst

Centre for Cities

**[c.webber@centreforcities.org](mailto:c.webber@centreforcities.org)**

Alan Berube, Fellow and Research Director

Brookings Metropolitan Policy Program

**[aberube@brookings.edu](mailto:aberube@brookings.edu)**

### For General Information

Brookings Institution Metropolitan Policy Program

202.797.4139

**[www.brookings.edu/metro](http://www.brookings.edu/metro)**

Centre for Cities

+44.(0)20.7803.4300

**[www.centreforcities.org](http://www.centreforcities.org)**

# BROOKINGS

1775 Massachusetts Avenue, NW

Washington D.C. 20036-2188

telephone 202.797.6000

fax 202.797.6004

web site [www.brookings.edu](http://www.brookings.edu)

## Metropolitan Policy Program

at BROOKINGS

telephone 202.797.6139

fax 202.797.2965

web site [www.brookings.edu/metro](http://www.brookings.edu/metro)