



"Elected mayors – Lessons from the US"

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I first want to thank Dermot for that introduction and congratulate him and ippr for establishing the Centre for Cities.

We live during a time of profound demographic and market change—and because of that, cities matter again as:

- Centres of knowledge and innovation;
- Drivers of regional and economic performance;
- Gateways for immigration;
- Centres of culture and arts and design; and
- Launching pads for social inclusion and advancement.

That is true in the UK, in Europe, in developing countries (particularly China and India), and true in the land of sprawl, the US.

Some of my colleagues at LSE like Richard Sennett and Ricky Burdett even talk unapologetically about the 21st century as the new Urban Age.

Against this backdrop, urban governance in general, and the issue of elected mayors in particular, takes on new significance. How do nations allocate power and responsibility among and between central governments and state or provincial governments and local levels of government? How do nations do this at a time when the economy is clearly metropolitan not parochial? And, within municipalities and city/regions, what are the best mechanisms for accountable and adaptive and successful governance?

So today I want to discuss three things.

First, I want to review in general terms the powers of elected mayors in the US.

I stress 'general' because the powers of mayors and the structure of local government vary considerably across the US.

Second, I want to discuss the strengths and weaknesses of the US system.

On the plus side, empowered mayors are leading a wave of policy innovation – improving the competitiveness of cities, altering their physical landscape, and enhancing their ability to attract, grow, and retain the middle class.

But innovation is happening against a larger backdrop of withdrawal and disinterest at the federal level of government and uneven state support. And the artificial geography of cities does not comport with the metropolitan geography of the economy.

Finally, I want to discuss what this means for the UK.

I believe direct election of mayors would be a positive step for this country. It would help improve the delivery of services, enhance the ability of cities to adapt to demographic and economic change and perhaps reconnect otherwise disenfranchised citizens to the government. Given the metropolitan reality of the economy, however, there's a real question about what geography mayors should be elected at.

But government reform cannot stop with direct election. It needs to be accompanied by greater devolution of powers, particularly fiscal powers, to local levels of government. It also requires a new partnership between central government and localities, a partnership based on performance rather than prescription.

And urban governance is not just about government. Successful cities in the US have a rich network of non-government leaders in the private and non-profit sector who have a profound impact on the trajectory of growth. Building up this network of leaders needs to be part of a broader governance agenda.

So let me talk first about directly elected mayors in the US.

What powers do they have? Where do these powers come from?

The backdrop for this discussion is the federal nature of the US government system. Our union of states means that enormous power resides at the state level and the states in turn devolve powers and responsibilities to cities, counties, and municipalities. Some of these powers are formal; many are informal. Though the powers vary considerably across cities, they generally break down as follows:

1. Mayors oversee the machinery of local government that delivers a range of local services: police and fire protection, trash collection, parks and recreation, libraries, support services for youth and elderly, and, in growing numbers of big cities, schools. In the US, cities help finance these kinds of services with locally raised revenues that they control. On average, 41% of local revenues are raised through a wide variety of local tax schemes: property taxes, income taxes, business taxes, sales taxes, tourist taxes, user fees.
2. Mayors also oversee the delivery of large numbers of programmes financed in major part by federal or state governments: affordable housing, workforce development and job training, homeland security, community and economic development. (It should be noted that mayors do not oversee everything that flows down from federal level. For example, highway and transit funding goes directly to state and metropolitan entities. Some affordable housing funding is administered by state housing finance agencies or local public housing agencies).
3. Mayors are the chief economic development tsars of their city. They have the power, for example, over local land use, zoning, and planning. The use of these powers help sets the framework not just for the physical landscape of the city but industry structure and residential patterns in the city. How a city plans physically has a major impact on how it grows economically.

Given the fiscal tools discussed above, mayors also commonly use innovative financing techniques—tax increment financing, bonding of dedicated revenue streams—to support specific economic development schemes. These financing techniques help catalyse market activity and leverage private sector resources.

4. These are all formal powers of administration and government. There are less formal roles played by mayors that are arguably as important as the formal ones and very applicable to England:

- The power to set the broader competitive vision for the city
- The power to develop a policy agenda to achieve the broader vision
- The obligation to build a consensus across disparate constituencies to move the agenda forward locally
- The responsibility to advocate for necessary federal and state support—spending, tax, regulatory, and administrative.

The significance of this role has expanded over the past several decades for a number of reasons:

- Business leadership in cities, while still critical, has diminished due to global pressures, mergers and acquisitions, the decentralization of the economy. Thirty years ago, most cities had a small clique of business leaders—major employers (all white)—who set and drove the agenda. All that has changed.
- Changing demographics have also enhanced the role of the mayor. The combination of white-flight and immigration means that most cities are now majority minority. The mayor often acts as a broker among racial and ethnic groups.
- Because of broader specialization in the US, cities have witnessed a proliferation of interest groups and NGOs at the city and regional level. Again, the mayor is the only city figure who has the ability to stand above the fray.

The final reason is the withdrawal of federal investment over the past several decades. There is considerable pressure on cities to tighten their belts, manage efficiently, set a smart competitive course, and make strategic and fiscally sound bets.

The bottom line is this: Mayors have enormous powers and responsibilities in the US, and they play multiple roles that grow in significance as our nation changes.

Now my second point:

In the past 15 years, there has been a growing appreciation of the benefits of elected mayors and strong mayors in the US. A wave of policy innovation is sweeping the nation—part of the reason we are having this conversation today.

Over the past 15 years, American cities—sometimes with support from federal and state governments, often not—have begun to pursue bold, systemic, transformative strategies to unleash their potential in the marketplace, and, in the words of Henry Cisneros, to “act as instruments of social change.”

Just consider the following examples:

- 15 years ago, cities were beset by crack, gangs and disorder; since then we have witnessed a dramatic shift in policing techniques and a decline in urban crime, led by mayors like Rudy Giuliani of New York and Thomas Menino of Boston. One cannot rebuild strong cities without safe streets.
- Ten years ago, David Osborne’s book on government reinvention was a bestseller; since then mayors like Steve Goldsmith of Indianapolis and Graham Richard of Fort Wayne have led efforts to make their cities more efficient and

consumer friendly and, in the process, created a climate for business and residential investment.

- Ten years ago, Mayor Daley took over Chicago's public schools, sparking a wave of governance reform in the public education system. Dozens of cities are experimenting with charter schools, small schools, comprehensive reading efforts – often led by individuals and constituencies outside the formal education structure.
- Ten years ago cities, armed with new federal investments, began to transform the worst public housing in the country; since then dozens of projects have been demolished and remade as economically integrated communities of choice and connection. In some cities, mayors like Jerry Abramson of Louisville played critical roles in spurring the transformation of public housing.
- Ten years ago, the living downtown was still an oddity outside a few urban centres like Philadelphia and New York and Chicago; now it is a real estate phenomenon as developers can't move quickly enough to convert warehouses, historic structures, office buildings, and even department stores to residential use. As discussed later, mayors like Tony Williams of Washington, D.C. have made the revitalization of downtowns a central priority of their tenure – and have used the surging tax revenues from revitalization to support a more inclusive urban renaissance.
- The past decade has seen an explosion of interest in light rail and other major forms of public transit. Mayors like Greg Nickels of Seattle and John Hickenlooper of Denver have become nationally recognized advocates of transit as a means to smarter growth patterns.
- The past decade has seen bold new efforts to return cities to their rivers and lakes—with cities like San Francisco, Milwaukee, and Chattanooga tearing down or reshaping freeways that block access to the water. The former mayor of Milwaukee, John Norquist, has become a passionate advocate for rethinking the location of freeways.
- The past decade has seen an explosion of locally-led prosperity campaigns to grow the incomes of working families through liveable wages, local and state earned income credits, greater access to federal work benefits, and crackdowns on predatory lenders and other institutions that prey on low income families. Mayors like Bart Peterson of Indianapolis and John DeStefano of New Haven have pioneered new techniques for growing the incomes and wages of their citizenry.

What unites these efforts is their focus on transformation: of the physical landscape, of the economic landscape, and of the social landscape. These are big, entrepreneurial efforts at a time when we are often told, by both national parties, that government is the problem not the solution. They have also helped cement in the American consciousness an image of the new mayor—pragmatic, entrepreneurial, no nonsense—a sharp contrast to a federal government that is mired in political and ideological gridlock.

This urban policy innovation is real and palpable and having an impact. But there are cautions to the US tale.

In the US, growing power and influence of cities and mayors stand in sharp contrast to decreasing relevance of the federal government. The federal share of local revenues has declined substantially over the past several decades. State aid has partly made up the gap, as has the fiscal inventiveness of municipalities.

So, mayoral power in the US stands on a shaky foundation. The safety net for the poor and vulnerable is inadequate. Funding for infrastructure, schools and health care is also inadequate. Cities are essentially left to their own devices despite legacies of racism and concentrated poverty.

President Bush has, of course, exacerbated this trend. This year he presented a budget that recommended deep cuts in community development, housing, healthcare, and welfare.

But, the federal government is becoming less relevant and even the election of a Democratic president in 2008 will not change this much.

The second caution is that cities may not be the right geography for the 21st century.

The relentless decentralization of population and jobs in America has created a “new metropolitan reality.”

People live in one municipality, work in another, go to church, or the doctor’s office or the movies in yet another.

Labour and housing markets are metropolitan-wide. Supplier and distribution networks are metro-wide and beyond.

Cities and suburbs are clearly interdependent; the healthier the city, the healthier the suburbs.

Morning traffic reports describe pileups and traffic jams that stretch across a metropolitan area.

Opera companies and sports teams pull people from throughout a region.

Air or water pollution affects an entire region, because pollutants, carbon monoxide, and runoff recognize no city or suburban or county boundaries.

Even homeland security is a metropolitan concern since transportation hubs—ports, airports, railways—clearly serve broad areas.

The bottom line: The challenges in metropolitan America cross many issues and policies, departments, and disciplines.

Yet, whereas markets, and more importantly lives, operate in a metropolitan context, government often does not.

Given these realities, many jurisdictions in the United States are experimenting with new forms of metropolitan government and governance. The administrative boundaries of many American cities are expanding outwards as cities strive to reflect the metropolitan nature of their economies. Some 400 cities in the US expanded their borders through annexation of adjoining land during the 1990s.

Other cities are merging with their county governments to form regional cities, with Louisville, Kentucky being the most recent example.

Almost every US metropolitan area is engaged in some kind of formal or informal collaboration given that critical environmental, competitive, and social issues clearly cross borders.

Yet many city government structures—particularly in the Northeast and Midwest—cling to boundaries more suited to an eighteenth century township than to a 21st century metropolis.

So, the power of mayors in a Pittsburgh or St. Louis or Baltimore (where annexation is not permitted and city/county merger is difficult) may be illusory in the broader metropolitan context. In the 21st century, the right geography of governance for many issues is not at the level of a city with fixed and immutable borders; rather the geography of governance more naturally lies at the level of the conurbation or the metropolis.

So where does this leave us? I think there are five takeaways for the UK.

First, the direct election of mayors could be a positive step in the drive to realize and leverage the potential of cities and city/regions in the UK.

By creating a new centre of accountable power in cities, the UK could help urban places adapt to and position themselves in a changing economy. As in the United States, directly elected mayors have the potential to identify the competitive assets of their places, develop competitive strategies that are tailored to their unique markets and harness the resources and energies necessary to move to a higher level.

Directly elected mayors can also help cities help central government deliver on national priorities. Directly elected mayors are in a unique position to reach across the myriad of programmes and constituencies in a particular place. Through the power of persuasion and coalition building, they have the potential to “connect the dots” between issues that are clearly related but kept separate and distinct by government bureaucracies.

Recent research in the United States, for example, has shown the strong connection between neighbourhoods of high poverty, schools of low or moderate performance, and bad health outcomes. Yet programmes on housing and schools and health are often delivered by separate agencies—what we call “silos and stovepipes” in our country. A directly elected mayor could be enormously helpful in pulling these disparate actors together and realizing the potential synergies of joined up action and collective efforts.

Other efforts like LSPs and RDAs could also benefit from introduction of an accountable elected official who can take the big picture, be a generalist, and encourage agencies to recognize and act upon the connections across issues.

Second, you need to join the city mayors debate and the regional debate. As you do this, you may want to reconsider the geography of mayoral power given that the geography of the economy is relentlessly metropolitan. Is the right geography the artificial borders of the city? Or is it the city-region?

The time is ripe for innovation and experimentation in the geography of governance. Given the metropolitan reality of the economy, the UK might want to consider the direct election of mayors for larger conurbations—say Greater Manchester—rather than individual cities.

Third, governance reform cannot stop with direct elections. Building cities that innovate and experiment and continuously learn requires that direct election be accompanied by substantial local government reform and, most importantly, the devolution of greater fiscal power to localities. In the US, fiscal power is a necessary foundation of, and impetus for, the entrepreneurial posture of mayors.

Local fiscal powers are particularly useful to achieve an inclusive urban renaissance that is shared widely.

Compare Manchester and Washington DC. Both cities have witnessed strong central business district growth in the past decade and a rapid increase in downtown residential living. Market growth has been accompanied by appreciating real estate prices which, in turn, has raised fears of residential displacement.

Given broader governance structures, the cities of Manchester and Washington D.C. have radically different tools to respond to these market pressures. To catch the development wave in Washington DC, Mayor Anthony A. Williams established a Housing Production Trust Fund. This fund effectively channels 15 percent of the real estate transfer tax and deed recordation tax to fund affordable housing projects across the District. While initial projections anticipated approximately \$10 million to \$12 million per year for affordable housing, recent allocations have been over \$40 million per year. To date over \$45 million has been spent or obligated for the production of affordable housing units across the city.

Manchester does not have this option. For the most part, surging tax revenues in Manchester—or Sheffield or Leeds or Birmingham—go directly to Whitehall. This creates a fiscal “circuitry” that is broken.

On the one hand, the current fiscal arrangement between cities and the central government sets up a perverse incentive system. Cities that take innovative steps to regenerate markets are not rewarded for their good behaviour. Cities that don’t “have their act together” can still count on a revenue system that is essentially equalized between places. Why should cities travel the innovative path under the current system?

In addition, the United Kingdom does not allow for a timely local response to market pressures. Cities with gentrifying neighbourhoods need to wait for central government to recognize the problem and respond with enhanced funding or other tools to stimulate the production or preservation of affordable housing. The “natural” corrective action taken by Washington, D.C. and other American cities is just not possible.

Beyond fiscal devolution, government reform must also come in the form of more flexibility and less micromanagement. There should be greater focus on performance measures and rewards, less on centrally-driven prescriptions and requirements. This means that central government is going to have to do the most difficult thing and let go of some of the “reins of power.”

Fourth, governance reform cannot only be about government. Successful cities in the US have a rich network of non-government leaders in the private and not-for-profit sector: business improvement districts, community development corporations, philanthropists, business alliances. Encouraging these institutions to play an active role in agenda setting and public discourse and monitoring of implementation is critical.

Finally, direct election is not a panacea or magic bullet. There are good mayors and there are lousy mayors. There are competent mayors and there are mayors who can barely manage. There is a need to build up standards and capacity and learning over time!

So, I'll end with this simple proposition:

The UK, like the US and Europe, stands on a cusp of an urban renaissance. Demographic changes and market restructuring will drive this renaissance—not everywhere, but in a growing number of places.

I believe strongly that government reform could accelerate these positive trends and help cities realize their true economic potential.

Such reforms should clearly enable the direct election of more mayors in the UK—preferably at geographies that are more closely aligned with the borders of the real economy.

But government reform should also involve the broader devolution of fiscal powers and local flexibility to cities and city-regions.

This is a huge sea change in the division of responsibilities between and among levels of government in this country.

But I strongly believe that these reforms are more consistent with the structure of the economy and the pace of change than the current system.

Good luck!