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Towards a Competitive and Sustainable Maine
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Introduction

It has been a pleasure to spend this week in Maine.

Like many, I am awed by the beauty of this state.

I am struck by the distinctive character of your cities, towns and communities.

And I am heartened by the depth and breadth of knowledge and expertise among your citizens, practitioners and policymakers.

As Alan Caron has reviewed, Brookings and GrowSmart Maine launched a major new project earlier this week. Our mission: to develop an action plan to build a competitive, prosperous and sustainable future for this state.

Over the next 10 months, my colleagues and I intend to work intensely on giving you the best, most accurate picture of this state's present predicament and future potential. We will do this by working in close consultation with leaders and citizens from a broad swath, spatially and professionally, of Maine. You are the experts on this state and we need to tap that expertise if our research is to be lasting and have impact.

This week alone we held listening sessions in Bangor, Augusta, Lewiston/Auburn and Portland.

Today I want to give you some very early impressions from our initial travels … as well a sense of how Brookings thinks about growth and prosperity and sustainability.

These are challenging times to govern in Maine … not because of any immediate crisis or controversy but because of profound changes in our society.

Broad market forces—globalization, technological innovation, standardization—are restructuring the US economy, changing what we do, how we do it, and where we do it.

Large demographic forces—population growth, immigration, aging—are changing patterns of consumption and settlement and lifestyle.

The governance of our nation—the federal contract between the federal government and the states—is also changing.

These forces often seem abstract but they are fundamentally altering the role and relationships of cities, suburbs, metropolitan and rural areas.

They are also changing the rules that now determine economic success—for families, for communities, for regions in the US.

Today, I am going to discuss three new rules of economic success.

Rule Number One: What You Know Affects What You Earn as a Family and Whether You Prosper as a Community. In our changing economy, higher and higher levels of education are the keys to prosperity for families and competitiveness for regions

Rule Number Two: How You Grow Physically Affects How You Grow Economically. Density and compact development and quality of place matter in the knowledge economy.

Rule Number Three: How You Govern Affects How You Grow. In a changing economy, regional cohesion and less governmental fragmentation are hallmarks of smart governance.

Let me talk briefly about these new rules and what they mean.

Let me also give you a brief sense of how Maine fares in light of these new rules.

Let me then make some recommendations on how policy and governance need to change, particularly at the state level, to respond to this new world.

Let me finally give you a sense of some of the tough questions that people have asked Brookings to answer this week.

In describing the major trends affecting our nation, let me remind you first of the words of George Bernard Shaw who said that **"The sign of a truly educated person is to be deeply moved by statistics."**

So let us start with Rule Number One

The American economy is still in a state of major transition, from manufacturing to knowledge and services.

In 1970, 22 percent of jobs in the US were in manufacturing. By 2000, that share had halved to 11 percent.

By contrast, employment in the services sector grew from 19 percent of all jobs in the US to 32 percent.

The restructuring of the US economy has changed the rules driving community prosperity and family success.

Ideas, innovation and creativity now drive the economy.

Success at the metropolitan level requires large numbers of people with a college education and high skills. For every two percentage point growth in a metropolitan area's share of college grads, income grew about one percentage point during 1990s

At the family level, there is a direct connection between education and income, a new "iron law of wages."

A high school graduate will earn $1.2 million over their lifetime.

By contrast, an individual with a bachelor's degree will earn $2.1 million.

An individual with a master's degree will earn $2.5 million.

And an individual with a professional degree – a doctor, a lawyer -- will earn $4.4 million.

Where does Maine stand?

The transition to a services economy is well underway in Maine.

> Manufacturing has declined at a rapid rate in Maine over the past 4 decades.
>
> The number of manufacturing jobs fell from 118,000 in 1968 to 63,000 in 2004.
>
> Your once proud dominance in canning and paper products and textiles and other sectors has been eroded or eradicated as jobs went overseas or were lost through technological innovation, productivity gains and competitive pressures.

The decline in manufacturing has been accompanied by a rapid growth in the services sector.

> In the past decade, jobs have grown substantially in education and health care, professional and business services, leisure and hospitality and financial activities, particularly in the southern part of the state.

Yet for that growth to continue and to permeate a broader part of the state, Maine will need to overcome a substantial education gap.

> In 2000, only 22.9 percent of Maine adults over the age of 25 had a bachelor's degree. That ranks you 28th out of the 50 states.
>
> The ranking gets worse when you compare the educational attainment of Maine's white population with that of other states – a fair comparison since your state is virtually all white. On that score, Maine actually drops several rungs to the 33rd ranking.

With educational attainment low, it is not surprising that incomes lag in this state. You ranked a dismal 44th in this state on income growth in the 1990s, growing a measly three percent compared to eight percent nationally.

And your incomes are low to begin with.

The state ranked 34th in the nation on per capita income in 2004. Your per capita income of $29,973 was over $10,000 lower than the average for the New England region.

The state ranked 27th in the nation on median household income in 2004. Your median household income of $42,163 was also far lower than your New England neighbors:

> Connecticut ranks 2nd in the nation with a median household income of $60,528
>
> Massachusetts ranks 5th with a median household income of $55,658
>
> New Hampshire ranks 6th with a median household income of $55,580
>
> Rhode Island ranks 13th with a median household income of $48,722
>
> And Vermont ranks 18th with a median household income of $46,543

Let me be very clear. Until the educational indicators move in this state, the critical measures associated with family health and community vitality will not budge. I will return to this later.

Which brings me to Rule Number Two because a discussion of education naturally leads to a discussion of development patterns.

We now know that how you grow physically affects how you grow economically.

Or, in other words, educated workers – who can increasingly go anywhere in the US – are attracted to places that are distinct and special and livable and increasingly compact and densely populated

Americans don't usually think about the connection of density to economic performance and fiscal responsibility

But research tells us that density provides both productivity and innovation gains—and saves taxpayers money

On one hand, average labor productivity increases with more employment density and "accessible cities" with efficient transport systems have higher productivity than less dispersed places.

On the other hand, density contributes to innovation by attracting young, educated workers.

> High density brings amenities that create high quality of place that attracts young educated workers.

Density also enhances innovation by increasing interactions and knowledge sharing among workers.

> Dense labor markets, efficient transport and high clustering of jobs lead to knowledge spillovers, both within and across industries.

And, as we have discussed before, educated metros win in the new economy.

> Metro areas that have high proportions of skilled educated workers are better able to reinvent themselves and adapt to changing economic needs.

Another point: there is a "sticker shock" to low density, sprawling development.

That is partly because sprawl increases the demand for new facilities:

> New schools
> New roads
> New public facilities
> Sewer and water extensions

That is also because sprawl increases the costs of delivering key services:

> Police
> Fire
> Emergency medical
> School transport

As a state, Maine is barely growing. The state population grew by only three percent in the 1990s, slower than your neighbors, the region, the nation.

But you are spreading out, sprawling fast in a slow growth environment.

These development patterns are troubling, given the nexus between quality, balanced growth and competitiveness and fiscal health.

Over the past four decades, population in the "service centers" – essentially the major cities and towns of Maine – has essentially stayed the same at around 550,000.

At the same time, population growth outside the service centers has shot up like a rocket, growing from around 400,000 to over 700,000 during the same period.

This growth has persisted despite the enactment of growth management at the state level, despite the purchase of thousands of acres of open space and the preservation of farms, despite a general sense that Mainers care more about the environment and the quality of their communities than anyone else in the nation.

In the past several days, I have visited Bangor, Augusta, Lewiston/Auburn and Portland.

These places all have disparate economies, disparate strengths, disparate cultures.

But they all share a common trend: the loss of population in the urban core accompanied by rapid population growth in surrounding towns as well as towns farther out.

And the growth out—of people and jobs—is of a particular kind: low density, non-compact, decentralized, and dispersed. What Maine now looks like is a crazy quilt of haphazard residential, commercial, office and retail development flung across a vast physical landscape. It looks increasingly like "Everywhere USA."

Perhaps we could understand these decentralizing patterns in Arizona or Texas or North Carolina or Georgia—states characterized by double digit growth.

But Maine is sprawling fast in a slow growth environment, which is more difficult to explain or justify.

And in Maine, sprawl and decentralization are undermining the Maine brand—the fabric and quality of community and place—your main competitive asset.

That brings us to Rule Number Three.

In the changing US economy, metropolitan success is dependent on metro areas adapting to economic change.

Sophisticated new research by Jerry Paytas of Carnegie Mellon University concludes that metropolitan fragmentation exerts a statistically significant negative impact on competitiveness and weakens long-term regional economic performance.

This makes intuitive sense. As Paytas argues:

> "How well a region organizes and utilizes its assets and resources is the key to its ability to compete and to respond to change. Long term competitiveness requires flexibility and fragmented regions are less likely to mobilize the consensus for change. Fragmented regions divide the regional constituency, offering opponents of change more opportunities, forums and even institutional support to resist change."

Other work has shown the connection between fragmented government and sprawl.

Paul Lewis, a highly respected California researcher, has demonstrated that fragmentation results in decreased shares of office space in central business districts, less centrality, longer commute times, more "edge cities," more "exit ramp" growth, more sprawl in a word.

Maine does not do well on this score.

You are one of the most fragmented states in the nation. Some 450 cities and towns dot the governmental landscape, each with their own land use and zoning powers. Given the state's reliance on property taxes, each of these 450 municipalities spends a lot of their time competing with each other for development and tax revenues rather than competing together for quality growth and prosperity.

All that is well and fine. The question obviously is what do you do about it?

What do you do to grow a high road economy of good jobs, educated and skilled workers, and nimble entrepreneurs?

How do you grow and retain what is best and unique and distinctive about Maine, your quality of place?

And how do you organize yourselves to compete WHILE respecting the independence and value of your separate municipalities?

The answers to these questions will not be found at the national or federal level or in the cumulative impact of individual decisions and actions.

Rather, states are the organizing vehicles for competitive, sustainable, and inclusive growth.

We simply cannot overestimate the roles that states play in metropolitan and rural growth and development. The choices they make on economic policy, regulatory and administrative decisions, tax and spending programs all send strong signals to consumers and the market about what and where to build.

Five state roles deserve particular consideration.

First, states set the geography of governance. They decide how many units of general purpose local government there are and how easily it is for them to rearrange their borders. They also decide the borders of school districts as well as other special purpose governments.

Second, states set the powers of local governance. They decide what powers to delegate to municipal governments and establish the parameters for how those responsibilities are exercised. They also decide which level of government wields such powers, be it local municipalities, counties, or even regional entities. For our purposes, the most important delegation involves land use, zoning, and planning powers. The devil here is in the details: Some states permit and encourage innovative land use techniques; others stifle it. Some states require that local planning conforms to regional or state visions; others allow localities almost unfettered control.

Third, states establish the fiscal playing field for municipalities and school districts. They decide the form of taxes that municipalities can impose on residents and businesses —property taxes, sales taxes, incomes taxes, fees. They also determine the extent to which the state levels the playing field between rich and poor jurisdictions through general or specific tax sharing efforts.

Fourth, states help design the skeleton of regions through their investments in physical infrastructure, main street, downtown, public parks, and green space. How and where states distribute economic development subsidies (whether to lower-end retail projects in the greenfields or high-value pursuits in established areas) also makes a big difference.

Finally, states help shape the quality of the economic growth that occurs in metropolitan areas through their investments in K-12 education, higher education, and workforce development. State activity of this sort may also stress higher-wage industries, such as health care, corporate research, or higher-value producer services as opposed to lower-end service jobs. The regulation of the real estate sector is particularly important and many states, for health and safety reasons, have established uniform rules and codes for construction and building.

In almost all states throughout the country, the intersection of these disparate powers and policies has created—in what I call the “rules of the development game”—rules that favor the creation of new communities over the redevelopment of older ones, rules that promote and even subsidize greenfield development rather than brownfield remediation, rules that often consign low wage workers and minorities to the "wrong side of regions."

Let me illustrate how sprawl and regional inequity is embedded and hardwired in the powers and policies of one state: the Commonwealth of Pennsylvania. As many of you know, Brookings released a major report on the state of growth in Pennsylvania in December 2003.

Our report demonstrated the sprawl-inducing and city-emptying effect of an intricate network of state governance, spending, tax, regulatory, and administrative polices. Among these were:

- State governance policies that chop the Commonwealth into 2,566 municipalities and then delegate land use and zoning powers to every single one of these municipalities

- State building codes that make it cheaper to build new rather than renovate older properties

- State tax policies that leave cities stranded with tax exempt properties, saddled with the costs of maintaining older infrastructure and responsible for supporting a large portion of school expenses through their property taxes

- State transportation policies that spent only 42 percent of road and bridge spending in older urban communities, where 58 percent of the population lives

- State economic development policies that subsidize industrial parks on greenfields in exurban communities, while perfectly suitable sites on historic commercial corridors lie vacant and abandoned three or five miles away

The list in Pennsylvania, as in Maine and other states, goes on and on and on.

Given this backdrop, the twin patterns of sprawl and urban abandonment that have defined Pennsylvania's development since the end of World War II are not accidental or happenstance; they are the logical, almost predetermined, outcomes of state policy.

Is Maine like Pennsylvania? Are you setting the rules of the development game in such a way that, on balance, promote sprawl, undermine cities and service centers and diminish your special brand? We don't really know. That is one of the major inquiries of our project with GrowSmart Maine.

The good news is that the policies that I have discussed here today are not inevitable or somehow divinely inspired.

They are the product of political systems and political compromises and political tradeoffs.

Politics, in a word, determines policies, and policies shape markets and growth patterns and family opportunities.

My contention is that throughout the country, sprawl and economic and social change has left in its wake the potential for broad majoritarian coalitions that can reset policies to fit a new time and achieve a new set of objectives.

Our challenge in this room is to realize the potential of this mostly latent, still theoretical political coalition and stimulate the creation of networks of leaders and advocates across municipal jurisdictions, across disciplines, across urban and rural lines, across racial and ethnic lines, across "red" and "blue" regions.

Given political and fiscal realities, our first line of offense is the states.

I believe that a growing number of states are ripe for change:

- because they are experiencing the fiscal wastefulness of unbalanced growth patterns

- because the recognize that an economy of ideas, innovation, and creativity thrives in dense, urban areas

- because they are worried that endless sprawl is endangering the rural landscapes and environmental treasures that define many places

The states are ripe for change if we can change the political equation that drives decisions in state capitals.

Let me give you a hopeful lesson from our Pennsylvania work.

What we discovered in Pennsylvania was a smart growth coalition that was less than the sum of its parts. Pennsylvania, like many states, does not lack for talented mayors or business owners or community, faith-based, and civic leaders or real estate practitioners or university presidents or heads of health care systems or environmentalists or conservationists.

Yet these talented people are rarely organized to pursue structural change. City is pitted against city. Urban constituencies are pitted against urban constituencies. The city/suburban divide—sometimes racial, sometimes not—is deep and pronounced. Environmentalists and conservationists rarely talk to, let alone relate to, urban advocates and business leaders.

Urban advocates, conservationists, and many fellow travelers, in short, have perfected the "art of the deal"—the downtown real estate transaction, the major stadium or convention center, the major land acquisition—and neglected the "art of politics"—the mechanics of coalition building.

Only a year later, what we are witnessing in Pennsylvania is the slow, gradual evolution of a vibrant political coalition that is leading a discussion about city revitalization, balanced growth, and state competitiveness.

The confluence of powerful ideas, a progressive governor (Ed Rendell, the former mayor of Philadelphia), and a vocal network of advocates is already reforming policies:

The state is embracing “fix it first” policies in transportation—stopping sprawl inducing road projects at the fringe in order to fund infrastructure repair in the metropolitan core

The state has resuscitated its State Planning Board to bring coherence to the actions of dozens of state agencies.

The state has organized Community Action Teams to help cities and towns design and implement transformative, “community changing” projects.

The state has revitalized an Interagency Land Use Team and embraced new investment criteria to better focus the state’s actions and investments.

The governor pushed through a $625 million bond initiative to fund urban revitalization, environmental remediation and land acquisition, illustrating the potential for common ground between old and new communities.

The governor is pursuing bold new reforms to prepare the Pennsylvania workforce for a radically different economic era.

And policy fermentation is breaking out:

- Should Pittsburgh consolidate with Allegheny County?
- Should metro areas in the state be allowed to experiment with new taxing regimes and governance forms?
- Should the state’s fiscal receivership law be turned into a tool for attacking the structural roots of urban decline and distress?

Now the road in Pennsylvania is going to be long and hard. But that state has started on the path towards systemic and structural reform. How far it travels down that path will depend, in large part, on the creation of new, broadening coalitions.

Is Pennsylvania unique? I do not believe so. In fact, I think if structural reform can happen in Pennsylvania—fragmented, balkanized, riven by divisions—then it can happen anywhere.

Is Maine ripe for structural change?

Can the broad issues of competitiveness and sustainability animate if not dominate the 2006 elections for Governor and other key state offices?

As importantly, can the next Governor and legislature—in conjunction with a broad network of corporate, civic, environmental, and conservation leaders—design, enact, and implement major reforms?

Brookings and GrowSmart Maine are making a collective bet that the answer to all these questions is a resounding “yes!” We are committed to preparing an action plan for building a competitive and sustainable future in this state that is based on the best empirical and objective information that we can gather.

Over the past week, we have begun to hold listening sessions throughout the state to guide and direct our work. These listening sessions are critical to ensuring that our report for Maine is tailored to your unique and distinct assets and realities.

Let me give you a preview of the kinds of questions Mainers recommend that we ask and answer.

1. Does Maine have the right demographics for a competitive future? How does Maine build a qualified workforce as the oldest state—as the whitest state—in the union?

2. What is the changing structure of the Maine economy? What clusters and sectors are you good in? What can be preserved? What can be expanded? What, in short, are your niches in the global economy?

3. How does Maine organize to compete? How do you preserve what is best about Maine's 450 cities and towns – their connection to their citizens – while adapting to broader demographic, market and development patterns that clearly transcend parochial borders?

4. Why is sprawl and decentralization happening? How much is prompted by the deep tax disparities between service centers, urban cores and outlying areas? What are those tax disparities, why do they exist, what can be done about them? How much is sprawl a natural result of the intersection between housing market dynamics, local government and property tax reliance?

5. What costs does sprawl impose on government and communities? What's the price tag associated with low density development in new school construction, new school transportation, new facilities and infrastructure and the higher costs of delivering basic services like fire, police and emergency medical?

6. What costs does sprawl impose on families, particularly on low wage earners? How do working families forced to live 20 miles away from town centers balance housing and transportation costs, particularly given rising gas prices?

7. What are the benefits of reinvestment? How much available land exists in service centers along riverfronts and central business districts? What is the inventory of vacant land and historic buildings and abandoned mill buildings in and outside core areas that can be reclaimed for productive use?

8. What is the state doing, positively or negatively, to promote high road economic growth and access to higher education? What is the state doing to advance the revitalization of urban core areas as well as smarter, more sustainable development patterns far from the urban core? What is the state doing to enable working families to live closer to good schools and quality jobs? Are the rules of the development game in Maine – state tax, spending, governance, regulatory and administrative policies – tilted towards sprawl?

9. What can the state do to make structural, systemic change to existing policies to promote competitive, sustainable and inclusive growth? What can you learn from other states about education reform, tax reform, community revitalization, brownfield remediation, riverfront restoration, urban land reclamation? What can you learn from Europe—Ireland, Finland, England—about these same issues?

10. How does the state mobilize to affect change? How do you build a majoritarian coalition among disparate constituencies? How do you convert a theoretical coalition into a practical one? How do you give political leaders the cover needed to do the right thing, to make the big bets? How do you transcend the culture of independence and individualism to do what is right for the collective Maine?

Those are all solid, thoughtful questions… and I hope that our project can go a long way towards providing definitive, incontrovertible responses.

I also urge all of you here, and the constituencies that you represent, to engage in our process of inquiry, which we hope to make as open and inclusive and transparent as possible.

Conclusion

I believe that this state can grow differently.

- I believe you have one of the best shots in the country to create competitive cities and suburbs that create and nurture strong, resilient, adaptive economies.

- To develop sustainable cities and suburbs that promote accessible transport, residential and employment density, and energy efficiency.

- To build inclusive cities and suburbs that grow, attract, and retain the middle class and give all individuals, irrespective of race, ethnicity or class, access to quality jobs and good schools.

- To fashion livable cities and suburbs that promote and preserve quality neighborhood design, abundant open spaces, irreplaceable environmental treasures, and distinctive public spaces as a foundation of competitiveness, sustainability and inclusivity.

But this vision will not just happen.

You will need to fight for it with focus and discipline and, most importantly, as part of new majoritarian political coalitions that demand supportive state and federal policies.

Those of you who believe in a competitive and sustainable vision are the majority.

Now you need to act, organize, and govern like one.