Blueprint for American Prosperity
Unleashing the Potential of a Metropolitan Nation

Metro*Policy*

Shaping a New Federal Partnership for a Metropolitan Nation

Metropolitan Policy Program
at BROOKINGS

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EXECUTIVE SUMMARY

The 2008 U.S. presidential election and the 44th presidency that will follow it come at a remarkable juncture.

Renewal will require unleashing the full creative power of the cities, suburbs, and metropolitan areas that are America's core sources of prosperity.

Not only will the new administration make a new start of sorts, since no incumbent president or vice president will assume the presidency, but the new government and Congress will take office facing a series of massive uncertainties.

Iraq policy will need to be tended to. The nation's health care spending and entitlements crisis will need to be addressed. So, too, will key issues of world food supplies and nuclear proliferation require attention.

Yet just as critical will be another matter—the urgent but less-remarked-upon challenge of arresting the nation's widely perceived drift by unleashing the full economic, social, and environmental potential of the nation.

The ultimate aim of the *Blueprint for American Prosperity* of which this report is a part, this renewal matters intensely now and will require unleashing the full creative power of the cities, suburbs, and metropolitan areas that are America's core sources of prosperity.

Cities, suburbs, and metropolitan areas matter because U.S. metros—added up—are the nation, as argued "MetroNation," the initial "framing" paper in this initiative.

Metros contain and aggregate key "drivers" of local and national prosperity—factors such as local innovation capacity, a place's store of human capital, its basic infrastructure and quality of place. In that sense, cities and suburbs gather together what matters and—through their density and diversity—augment its value and impact.

And then come the results.

Metros are the economy, because while the 100 largest metropolitan areas alone represent just 12 percent of the nation's land area, this network of interlinked commercial hubs generates two-thirds of U.S. jobs and three-quarters of the nation's output.

Metros are society, because 65 percent of the population lives in those 100 largest of them, with 85 percent of the nation's immigrants and 77 percent of its minority population residing there.

And for that matter, metropolitan areas encompass both America's carbon problem and its best solutions, with the largest 100 accounting for 55 percent of U.S. carbon emissions but also including all of its most energy-efficient locations.

In that sense, metropolitan areas really *are* where the nation's future economic competitiveness, social health, and environmental sustainability will be decided. And so the nation needs to have in place a purposeful, supportive, and effective body of federal, state, and local policies and stances that can help unleash the full potential of America's 363 varied engines of prosperity.

And yet, here is the problem: Although America is more than ever a MetroNation it lacks a requisite body of "MetroPolicy," most notably in Washington, aimed at enabling local, regional, and private-sector leaders to meet the nation's greatest challenges and opportunities.

In too many domains, Washington's policy stances must be counted either as unhelpful to the nation's metropolitan problem-solving, or hostile to it.

Too rarely does federal policy sufficiently tend to the adequate provision nationwide of the "drivers" of national and local prosperity. Not often enough does Washington assist state and local leaders in their efforts to work out effective ways to collaborate across boundaries to compete for America's betterment.

What is more, confusion and disagreement about the appropriate nature of the "division of labor" between the nation and states and localities increasingly blurs relations between Washington, states, and metropolitan actors, holding back efforts to ensure metros amass the assets needed to drive prosperity. At the same time, few metropolitan innovators would call Washington a "high-performance organization." Instead, they complain about a federal apparatus that too often acts like a "legacy" government, a collection of largely outmoded agencies, many formed in the 1950s and 1960s to carry out programs forged in the 1970s and 1980s through means and mechanisms suited to a pre-Internet world.

Hence this report: The second "core" analysis of Brookings' *Blueprint,* "MetroPolicy"—a companion to "MetroNation"— assesses the present state of federal policy as it relates to U.S. metropolitan areas at a crucial moment and sketches the outlines of a new federal partnership with states, localities, and the private sector aimed at more fully unleashing cities' and suburbs' metropolitan potential.

More specifically, the report argues that the nation needs a new federal policy framework in which Washington *leads* where it must; *empowers* metropolitan, state, and local leaders to innovate; and otherwise *maximizes performance* across the whole federal-state-local system to support metropolitan problem-solving.

In this vein, "MetroPolicy" draws the following conclusions:

1. Metropolitan America remains the world's leading economic network, but many metro areas struggle to achieve key dimensions of prosperity. Taken together, America's metropolitan areas remain a critical source of national prosperity, by virtue of their special power to facilitate innovation, social interaction, and efficiency through proximity and exchange. However, U.S. metros as a group face substantial long-term productive, inclusive, and sustainable growth challenges:

- **Metro areas and the cities and suburbs that contain them remain a critical source of productive growth for the nation but signs of slippage have appeared.** Productivity growth has slowed. The production of scientists and engineers is stagnating. Research and development (R&D) investment as a share of GDP is faltering. And U.S. dominance of patenting is under challenge
- **Metro areas are falling short on indicators of inclusive growth.** Large and widening wage gaps separate top and bottom earners in the largest 100 metropolitan areas. The middle class is shrinking. Areas of concentrated metropolitan poverty appear to be re-emerging. And troubling achievement deficits and disparities continue to plague secondary education even as higher education performance remains spotty
- **Metro areas struggle with significant sustainability challenges.** On this front, low-density suburbanization is rapidly consuming metros' rural land reserves and widening the urban footprint. Job sprawl is alive and well. Miles traveled on roads are outpacing population growth and driving up congestion and carbon emissions, and major metros' transportation and infrastructure networks are frequently unbalanced, insufficient, and deteriorating

Aggregate trends, meanwhile, obscure another problem: America's metropolitan areas' performance on measures of productive, inclusive, and sustainable prosperity. The difference between the top quintile of the 100 largest metros and the bottom quintile on productivity growth is 3-to-1; on wage inequality, 1.3-to-1; and on carbon emissions, 2-to-1. Amidst all this variation, though, several major types of metropolitan areas can be discerned:

- **High-performance metros,** such as Boise, ID and Portland, OR, enjoy better than average rankings across all three indictors of prosperity—productivity growth, wage inequality, and carbon footprint—with particularly stellar performance in at least one category. Less than one in five large U.S. metros fall into this category
- **Low-performance metros,** which account for a quarter of the 100 largest metros, face exactly the opposite reality: These places, epitomized by Birmingham,

AL, post sub-par rankings across all three summary indicators and reside at or near the bottom of the pack in at least one category
- **Mixed-performance metros** account for the majority of metropolitan areas, and usually exhibit solid performance on one dimension of prosperity tempered by much weaker performance on another. Metropolitan New York, for instance, registers in the top 10 on sustainability, runs almost dead-last on inclusion, and turned in a middling performance on productivity growth in recent years

Along these lines, almost every sizable metropolitan area in America faces serious challenges on at least one or more dimensions of prosperity.

2. Metropolitan leaders are responding to change by developing the assets that drive prosperity, but they cannot "go it alone"—a reality other countries increasingly recognize. City and suburban leaders are experimenting and innovating. Working with frequent tenacity, many of these leaders are laboring in the face of massive, disruptive change to work out new ways to maximize their regions'—and their nations'—standing on the crucial "drivers" of productive, inclusive, and sustainable growth and the prosperity to which they contribute.

- Because ***innovation*** matters if locations are to compete globally, metropolitan leaders are taking steps to ramp up their regions' ability to invent and commercialize new products, processes, and business models
- Because ***human capital*** matters for innovation and household income, networks of metro leaders are working on ways to continuously enhance the levels of training and education marshaled by their regions' workforces
- Because ***infrastructure*** matters to move goods, people, and ideas quickly and efficiently, leaders are striving to construct state-of-the-art transportation, telecommunications, and energy distribution networks
- And because ***quality places*** matter, city and suburban stewards of their locales are working increasingly to amplify the inherent attractions of metropolitan places—their variety of spaces, their environmental assets, their distinctive neighborhoods, downtowns, and waterfronts

And yet, the home-grown ingenuity of local and regional leaders—constrained as it is by current jurisdictional and policy realities—cannot by itself carry metropolitan America or the nation far enough in advancing prosperity.

- Boosting innovation requires contending with the full force of global economic integration, for example …yet metro leaders' power to shape outcomes remains limited
- Elevating local human capital stores requires contending with enormous social and demographic trends…yet tools and resources for doing that at the local and regional level remain few
- It's the same with the other two drivers of prosperity: Developing world-class infrastructure and sustainable, high-quality places each require responding to deep-set problems of vast scope…yet metropolitan actors' fiscal, jurisdictional, and regulatory reach remains narrow
- And there is one more fundamental limit on metropolitan autonomy: the administrative reality of metro regions' institutional weakness. Not only do metropolitan-oriented leaders retain little or no specific constitutional or statutory standing, but they must work across boundaries in areas made up of over 9,000 general purpose governments in just the 100 largest metropolitan areas. Furthermore, one-third of those largest metros span state lines

It is no surprise, then, that around the world many countries—faced with these same conundrums—are engaging aggressively to nurture their city-regions and generate nationwide prosperity:

- In many quarters national governments are intervening to secure their countries' standing on the fundamental drivers of prosperity
- Many nations are seeking to facilitate the emergence of more cohesive, empowered regions
- Other nations are getting smarter about how they organize their own bureaucracies and operations, knowing that high-performance government is also a prerequisite for optimal national and regional outcomes

3. Unfortunately, current U.S. federal policy stances do not adequately support local and regional efforts to boost prosperity. Given the importance of its metropolitan areas, the nation requires federal policies that engage consistently, tactfully, and appropriately to boost the stock of prosperity driving assets—innovation inputs, human capital, infrastructure, quality places—that are concentrated there. What is more, federal policy also needs to empower actors who wish to solve problems across regional lines, and help them to develop ways to collaborate decisively. However, Washington has drifted in recent years, and slipped into a peculiar period of simultaneous inattention, intrusiveness, and obsolescence that finds it now far out-of-step with the best practices of leading private-sector firms and the smartest state and local governments.

Three significant criticisms of U.S. governance are unavoidable:

- **Washington is often absent when it should be present.** A large and diverse country needs leadership from the center in critical areas, whether to provide a vision on innovation or infrastructure or to set basic standards or to address vast, diffuse problems that span local and state lines like greenhouse gas emissions. However, in recent years the federal government has frequently failed to lead in key instances to help leverage critical drivers of metropolitan success for the nation's benefit. On neither innovation nor infrastructure has Washington managed to set an explicit national vision for success, despite pressing need. On standard-setting, federal income-support programs have failed to significantly address the growing divide between workers' wages and the costs of life's daily necessities. And for that matter, Washington's failure to establish coherent legal or economic frameworks—or even uniform goals—on the two most critical boundary-transcending challenges of the era—reducing carbon emissions and supervising immigration—has created much uncertainty and left states and metropolitan areas scrambling. Similarly disappointing has been the ebbing of federal efforts to encourage cohesive regional and cross-jurisdictional problem-solving within metropolitan areas—an essential prerequisite for regions and the nation to make the most of their assets.
- **Washington is too often present when it ought to be absent.** At the same time, the federal government remains all too present when cities, suburbs, and states need more flexibility and room in which to innovate. The diversity of U.S. metros alone suggests that regions and localities need substantial autonomy to respond to distinctive local realities. And yet, the federal government frequently hobbles state and metropolitan problem-solving, and continues to deliver programs that don't match city or suburban realities, such as the shifting locations of low-income families and jobs. In this respect, federal programs often intrude Washington's policy biases into metropolitan areas' policymaking, as when federal transportation programs tilt towards automobiles and bus rapid transit, rather than deferring to regional preferences. Similarly, ill-considered federal involvement has generated significant unintended consequences, with the grimmest example being the way that federal low-income housing policy—with its heavy focus on housing the very poor in special units concentrated in isolated urban neighborhoods—has contributed to the concentration of poverty. And then, Washington too often actively discourages state, metro, and local problem-solving, whether by preventing states from enforcing predatory lending laws against national banks (a move that likely fueled the sub-prime mortgage crisis), or by blocking California and 16 other states from implementing laws limiting GHG emissions from cars and trucks.
- **Washington has failed to embrace the possibilities of 21st-century governance.** Finally, Washington has fallen behind the curve on organization reform. Very few federal agencies, in this respect, can be said to have fully transformed themselves into high-performance, 21st-century organizations by availing themselves of the appropriate tools, techniques, and stances that lead to optimized performance. Many of Washington's programs, policies, and functions were established decades ago to address earlier challenges and adhere now to obsolescent administrative approaches. Therefore, federal policies and programs are often overly rule-bound, intensely stovepiped, and lacking in their utilization of public- and private-sector partnerships. On top of this, Washington fails to acknowledge the primacy of metropolitan areas in U.S. affairs and largely ignores their centrality to the nation's economy.

In short, current federal policy structures and practices—accumulated over decades—no longer fit the realities of the Metropolitan Age and do not reflect the best practices of 21st-century governance. The result is that Washington's current combination of absence, presence, and backwardness fails to provide American cities, suburbs, and states the appropriate mix of leadership, flexibility, and effectiveness they need from a crucial partner at a moment of massive change.

4. And so America—a MetroNation—requires MetroPolicy. What is MetroPolicy? MetroPolicy is what the MetroNation lacks now, which is a purposeful, broadly supportive, and effective national policy framework that comports with the reality that U.S. prosperity emanates overwhelmingly from its metropolitan areas.

Such a new stance would seek to ensure the availability nationwide and in metros of the crucial assets that drive prosperity. Likewise, MetroPolicy seeks to strengthen the ability of metropolitan areas actors—such as mayors, county executives, regional business groups, universities, and non-profit and business leaders—to leverage, link, and align to maximum effect the assets they possess. Only in that way will the nation find ways to collaborate to compete against Shanghai and Mumbai and Frankfurt rather than competing with itself.

And so MetroPolicy calls at once for updating intergovernmental relations to better serve the needs of metropolitan areas and applying more of the practices of high-performance governance to Washington's own activities and to its partnerships.

Three essential principles inform MetroPolicy:

- **First, the federal government should *lead where it must* because of the need to match the scale and geographic reach of key current challenges.** Vast global currents of economic integration, migration, and global climate change mean that states and metropolitan areas cannot "go it alone." Consequently, the national government must intervene in fundamental arenas of domestic life to set a strategic vision for the country, establish basic standards of action, provide what no other level of government can or will, or address issues that naturally transcend state borders. In short, the forces affecting metros—globalization, wage stagnation, climate change—so transcend parochial borders that the national government must act in certain areas with vision, direction, and purpose. Such interventions will help to enhance the availability nationwide and within metros of those crucial assets that drive local and national success, or help metropolitan areas move toward more effective, region-scaled governance arrangements.
- **Second, the federal government must *empower metro areas where it should* to reflect the variety of metropolitan experiences and unleash the potential for innovation and experimentation that resides closest to the ground.** In this respect, MetroPolicy seeks to build in space and flexibility for varied local problem-solving in a varied, big country. Boston and Boise, Akron, Dallas, and San Francisco all contend with vastly different degrees and types of challenges, which naturally motivate different priorities in policy responses. In light of all this, federal programs and the nation as a whole will only be successful if national policies can be tailored to the distinct realities of disparate metros, and if the latent creativity of metropolitan, state, and local actors can be unleashed and added up. To that end, greater flexibility in program design must be diffused throughout the system. And then there is the fact that large areas of domestic policy—ranging from land use and zoning to routine law enforcement—remain largely managed by states and the local governments they create. In these areas, too, the real question for the federal government must become how best to support and further smart action below.
- **Third, the federal government *must maximize performance* and fundamentally alter the way it does business in a changing world.** Finally, a decentralized system such as MetroNation necessitates a special sort of effectiveness on the part of the center if it is to function at the highest level. In keeping with that, MetroPolicy calls for rearranging federal roles and stances in keeping with the imperatives of the emerging organizational model of highly networked, simultaneously "loose" and "tight," high-performance government. Specifically, Washington needs to: Keep the needs of metropolitan areas top-of-mind; provide incentives for and reward problem-solving that crosses disciplines and "joins up" solutions; move beyond rule-driven administration to smarter, more flexible interactions with states and localities that combine more local discretion with strong performance management; embrace partnerships; employ data to measure performance; and set up a robust, national system for identifying and diffusing best innovations. In short, "smart governance" diffused from the center is not an oxymoron but rather a necessity.

As to specific applications of MetroPolicy, the *Blueprint* Policy Series has begun to delineate a series of detailed, legislatable examples of the new metro-literate stance, with a series of proposals that, "added up," would improve metropolitan America's standing on key drivers of prosperity—innovation capacity, human capital, infrastructure, and quality of place—as well as foster more cohesive metropolitan governance.

In this fashion, adding up the *Blueprint's* current ideas across these policy domains reveals the broad outlines of a renovated federal policy stance. (For more information on the *Blueprint* Policy Series please visit www.blueprintprosperity.org.)

Blueprint recommendations for federal *leadership* and *vision,* for example, address (because no other level of government sufficiently can) key matters of national concern like metropolitan areas' innovation capacity, intermodal transportation, workforce quality, climate change, and regional governance. These recommendations are broad in scope and respond to market or government failures with lean, strategic interventions such as the creation of a new National Innovation Foundation (NIF); a Strategic Transportation Investments Commission and National Infrastructure Corporation; and a refocused Office of Innovation within the Department of Education.

Other recommendations aimed at *empowering* states, localities, and public-private partnerships suggest ways for Washington to catalyze much more robust, self-organized metropolitan problem-solving. Whether in the form of an industry cluster innovation program within NIF aimed at fostering local industry networks, a METRO program to stabilize and streamline support for MPOs, or a Sustainability Challenge to entice states and metropolitan

To help metropolitan America amass key prosperity drivers—and align them with cohesive regional governance—Washington must lead, empower, and maximize performance

	LEAD	EMPOWER	MAXIMIZE PERFORMANCE
Innovation	• Create a National Innovation Foundation (NIF)	• Establish a cluster-development grant program to support industry cluster initiative programs	• Create a Cluster Information Center to house cluster data, track cluster initiatives and programs, and collect and disseminate best practices
Human capital	• Redirect the Department of Education's Office of Innovation and Improvement to stimulate innovation and focus on results • Expand and modernize the Earned Income Tax Credit	• Make guaranteed access to higher education a centerpiece of community regeneration and encourage such efforts through a national competitive demonstration	• Assess student performance across all education levels • Invest in next-generation assessment, data, and accountability models
Infrastructure	• Establish a national vision for 21st-century infrastructure • Authorize a permanent Strategic Transportation Investments Commission (STIC) • Create a National Infrastructure Corporation (NIC)	• Offer more discretionary funding to metropolitan planning organizations • Require modally neutral treatment of highway and transit proposals	• Launch a TransStat 21st-century data and analysis initiative • Create an incentive pool to reward high-performing states and metros • Utilize market mechanisms
Sustainable, quality places	• Price carbon • Increase energy R&D through multidisciplinary discovery-innovation institutes • Catalyze the green retrofit market through "on-bill financing"	• Create Sustainability Challenge Grants to catalyze metro efforts to integrate housing, land use, transportation, and environmental policies • Initiate a Smart Transportation Partnership to help metro areas leverage the real estate potential around transit stations	• Collect and disseminate emissions data and best practices • Require energy information in real estate transactions through the Real Estate Settlement Procedures Act (RESPA)
Regional governance	• Apply a "regionalism steer" to essentially all federal policies through incentives that promote regional collaboration	• Create a Governance Challenge grant to reward regional coordination on any array of program areas	• Rebuild the nation's government statistics infrastructure • Develop a Metro Innovations Network to collect, disseminate, and promote best practices in regional governance

areas to devise inventive means of reducing carbon emissions, these recommendations call for a "bottom up" and demand-driven approach to policymaking. A separate Governance Challenge would reward deep-going, path-breaking experiments in metropolitan governance.

And then, a third set of policy recommendations aims to *maximize the performance* of government at all levels through a sophisticated array of metrics and performance standards. These recommendations range from a Cluster Information Center to track and monitor cluster performance data to real time pricing mechanisms to regulate energy usage to a TransStat initiative that would create a platform of data, metrics, analytic tools and spatial planning techniques to guide decisionmaking on transportation. This set of ideas also proposes the creation of a MetroExchange network for identifying and diffusing the best innovations in cross-boundary problem-solving.

Along these lines, MetroPolicy represents no single plan, no single rigid agenda, but instead a general style of problem-solving, a general approach to policymaking that aims not at some final "sorting out" of responsibility for metropolitan America but instead to maximize the effectiveness of the whole intermingled system of *shared* responsibility.

* * *

In sum, MetroPolicy holds out hope of providing the nation what it badly needs but now lacks: a focused, flexible, and enterprising partnership aimed at unleashing the full potential of the varied, dynamic, and interrelated localities that—added up—*are* the nation.

America is a metropolitan nation. It's time to start acting like one.