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## A REVOLUTION UNLEASHED

*I will not tie this city's future to the dysfunction in Washington and Springfield.*

—RAHM EMANUEL, *mayor of Chicago*

**A** revolution is stirring in America. Like all great revolutions, this one starts with a simple but profound truth: Cities and metropolitan areas are the engines of economic prosperity and social transformation in the United States.

Our nation's top 100 metropolitan areas sit on only 12 percent of the nation's land mass but are home to two-thirds of our population and generate 75 percent of our national GDP. Metros dominate because they embody concentration and agglomeration—networks of innovative firms, talented workers, risk-taking entrepreneurs, and supportive institutions and associations that cluster together in metropolitan areas and coproduce economic performance and progress. There is, in essence, no American (or Chinese or German or Brazilian) economy; rather, a national economy is a network of metropolitan economies.

Cities and metropolitan areas are also on the frontlines of America's demographic change. America's population—and its workforce—will be much more diverse in the future than at present, and soon no single race or ethnic group will be the nation's majority. Many of our metros are already living that

The term city is frequently used to describe a metropolitan area, region, and urban agglomeration—interconnected local economies that represent the hubs of larger state and national economies. In this book, we distinguish between cities and metropolitan areas. A metropolitan area or metropolitan region is typically a collection of municipalities that together form a unified labor market and is often defined statistically by the commuting patterns of its residents between home and work. For instance, the Chicago metro area consists of hundreds of municipalities and fourteen counties that stretch across the U.S. states of Illinois, Indiana, and Wisconsin; the city of Chicago accounts for less than one-third of the metro population. The São Paulo metropolitan area includes not only the city of São Paulo but also thirty-eight surrounding municipalities within the Brazilian state of São Paulo. The geographic extent of these broader regions takes in economic activities that are often found outside cities themselves, such as manufacturing, logistics, and agriculture.

future. In fact, every major demographic trend that the United States is experiencing—rapid growth, increasing diversity, an aging demographic—is happening at a faster pace, a greater scale, and a higher level of intensity in our major metropolitan areas.

Empowered by their economic strength and driven by demographic dynamism, cities and metros are positioning themselves at the cutting edge of reform, investment, and innovation. In traditional political science textbooks, the United States is portrayed neatly as a hierarchical structure—the federal government and the states on top, the cities and metropolitan areas at the bottom. The feds and the states are the adults in the system, setting direction; the cities and metropolitan areas are the children, waiting for their allowance. The metropolitan revolution is exploding this tired construct. Cities and metropolitan areas are becoming the leaders in the nation: experimenting, taking risk, making hard choices, and asking for forgiveness, not permission.

Like all great revolutions, this one has been ignited by a spark. The Great Recession was and continues to be a shock to the American zeitgeist, a brutal wake-up call that revealed the failure of a growth model that exalted consumption over production, speculation over investment, and waste over sustainability. A new growth model and economic vision

is emerging from the rubble of the recession, a next economy where we export more and waste less, innovate in what matters, produce and deploy more of what we invent, and build an economy that works for working families.

The default proposition in the post-New Deal era is that the restructuring of a national economy as complex and diverse as America's would be led by the national government. Indeed, in the immediate aftermath of the Great Recession, the federal government stepped in, and stepped up, with a stimulus package that kept the economy from collapse and stabilized state and local governments reeling from the housing-market freefall.

But now, four years after the recession's official end, it is clear that the real, durable reshaping is being led by networks of city and metropolitan leaders—mayors and other local elected officials, for sure, but also heads of companies, universities, medical campuses, metropolitan business associations, labor unions, civic organizations, environmental groups, cultural institutions, and philanthropies. These leaders are measuring what matters, unveiling their distinctive strengths and starting points in the real economy: manufacturing, innovation, technology, advanced services, and exports. They are eschewing fanciful illusions of becoming the next Silicon Valley and instead are deliberately building on their special assets, attributes, and advantages, using business planning techniques honed in the private sector. They are remaking their urban and suburban places as livable, quality, affordable, sustainable communities and offering more residential, transport, and work options to firms and families alike. And they are doing all these things through coinvention and coproduction.

Similar to the Tea Party and the Occupy movements, the metropolitan revolution is a child of the Great Recession. Yet it is reasoned rather than emotional, leader driven rather than leaderless, born of pragmatism and optimism rather than despair and anger.

Like all great revolutions, this one has been catalyzed by a revelation: Cities and metropolitan areas are on their own. The cavalry is not coming. Mired in partisan division and rancor, the federal government appears incapable of taking bold action to restructure our economy and grapple with changing demography and rising inequality. Recent Supreme Court decisions have also circumscribed the ability of the federal government to respond to national challenges. States are a varied lot. Some, often under the leadership of mayors-turned-governors, are aligning policies and programs to meet the needs of their metropolitan engines; some

are too broke and broken to engage and, in fact, are scaling back investments in critical areas like education, redevelopment, and community health; still others have a long history of antagonism toward their urban and metropolitan engines.

With each illustration of partisan gridlock and each indication of federal, and also state, unreliability, metros are becoming more ambitious in their design, more assertive in their advocacy, more expansive in their reach and remit. To borrow from Pogo, metro leaders have met the solution, and it is them.

With innovation the clear driver of economic growth and productivity and federal innovation funding at risk, metros like New York are making sizable commitments to attract innovative research institutions, commercialize research, and grow innovative firms. With human capital the necessary ingredient for successful firms and places, metros like Chicago are overhauling their community college systems to ensure that students are trained for quality jobs that offer good wages and benefits. With infrastructure the platform for global trade and investment and no national freight policy in place, metros like Miami and Jacksonville are modernizing their air, rail, and sea freight hubs to position themselves for an expansion in global trade.

With companies and consumers demanding communities that are more spatially efficient and federal funding for transportation uncertain, metros like Los Angeles, Denver, and Chicago are largely self-financing the building and retrofit of their own transit systems. With global demand rising and the future of federal trade policy unclear, metros like Portland, Syracuse, and Minneapolis-St. Paul are reorienting their economic development strategies toward exports, foreign direct investment, and skilled immigration.

With the world undergoing a systemic shift toward sustainable growth (a third industrial revolution) and federal energy and environmental policies under siege, metros like Seattle and Philadelphia are cementing their niches in energy-efficient technologies. And with immigration altering the social fabric of American society and national immigration reform seemingly impossible to achieve, metros like Houston are taking innovative steps to integrate tens of thousands of new immigrants into economic and community life.

The metro revolution reflects the maturing of U.S. cities and metros in terms of capacity and focus. Over the past three decades, these communities have innovated on the form of their places, regenerating downtowns,

revitalizing waterfronts, restoring historic buildings, inspiring grand architecture, expanding transit and transportation choices. Now they are focusing on their function and the very shape and structure of their economies, taking on the core elements that drive economies: innovation, human capital, infrastructure, advanced industry.

Over the past three decades, these places have labored to improve the delivery of core services such as education and public safety to ensure good schools, safe streets, and a high quality of life. Now they are innovating in the service of a grander ambition and necessary purpose: a local economy that generates wealth and shares prosperity.

For fifty years, metropolitan areas have relied on their biggest single investor—the federal government—to finance infrastructure, housing, innovation, and human capital. They have dutifully competed for federal grants and aligned their visions and strategies to the federal focus du jour. Now cities and metros are driving the conversation, making transformative investments in the public goods that undergird private investment and growth.

The tectonic plates of power and responsibility are shifting. Across the nation, cities and metros are taking control of their own destinies, becoming deliberate about their economic growth. Power is devolving to the places and people who are closest to the ground and oriented toward collaborative action. This shift is changing the nature of our leadership—who our leaders are, what they do, and how they govern. The metropolitan revolution has only one logical conclusion: the inversion of the hierarchy of power in the United States.

## A REVOLUTION IN TUNE

The metropolitan revolution is accelerated by the twinned failure of the economy and Washington. But what is happening in the United States today is also rooted in timeless and quintessential American values and is uniquely aligned with the disruptive nature of this young century and the manner and places in which people live their lives. The emerging revolution is not just a cyclical reaction but also a structural shift.

Our federal republic alternates between an emphasis on the “republic” and the “federal.” Power is at once centralized and diffuse, among states as constitutional partners and, in this century, among cities and metropolitan areas as de facto engines of the economy and social change. This diffusion, endlessly varied, often chaotic, is central to the American

entrepreneurial strain and cultural narrative. Like Chicago's mayor Rahm Emanuel, local politicians and other leaders have long held an ambivalence toward Washington. This reflects an ingrained American suspicion of institutions that are remote, removed, and far from home. Leaders in cities and metropolitan areas are close to the ground. They shop in local stores, eat at local establishments. They are seen and accessible, open to informal, everyday conversation rather than the formal interactions of legislatures and bureaucracies. Cities and metros aggregate people and places in a geography that is large enough to make a difference but small enough to impart a sense of community and common purpose.

Yet the metropolitan revolution is not only about the local and traditional. It is also thoroughly attuned to the pace and tenor of modern life driven by technology and globalization. We are living in a disruptive moment that worships speed, extols collaboration, rewards customization, demands differentiation, and champions integrated thinking to match and master the complexities of modern economies and societies. The metropolitan revolution is like our era: crowd sourced rather than close sourced, entrepreneurial rather than bureaucratic, networked rather than hierarchical.

In a world in which people live, operate, communicate, and engage through networks, metros have emerged as the uber-network: interlinked firms, institutions, and individuals working together across sectors, disciplines, jurisdictions, artificial political borders, and, yes, even political parties. In the process, a new kind of metropolitan leadership is being spawned. It is, at its core, a pragmatic caucus, which puts place over party, collaboration over conflict, and evidence over dogma. As New York mayor Michael Bloomberg observed in remarks to the Economic Club of Washington, D.C., "As a result of [the federal] leadership vacuum, cities around the country have had to tackle our economic problems largely on our own. Local elected officials are responsible for doing, not debating. For innovating, not arguing. For pragmatism, not partisanship. We have to deliver results at the local level."<sup>1</sup>

Members of this pragmatic caucus share common traits. They are impatient. They do not tolerate ideological nonsense or political bromides. They are frustrated with gridlock and inaction. They bristle at conventional pessimism and focus on constructive optimism. They are risk takers. They do not have a partisan allegiance; they have a political attitude.

With its broad-based membership, the pragmatic caucus defies easy political categorization. In Houston, a network of Republican business

leaders supports and champions one of the most advanced immigrant integration efforts in the nation. In Salt Lake City, a far-reaching effort to curb sprawl and promote reinvestment is taking place in a state that has not voted for a Democratic presidential candidate since 1964. In Portland, Oregon, a metropolis best known for its commitment to smart growth, a diverse set of leaders are embracing an ambitious agenda to boost trade, exports, and foreign direct investment.

The contrast between the federal and state governments and metropolitan networks is stark. The federal government and the states are legacy institutions: hyper political and partisan, hopelessly fragmented and compartmentalized, frustratingly bureaucratic, and prescriptive.

The federal government and the states are present oriented. They govern, administer, and legislate in two-year cycles, aligned more with the timeline of political elections than with social or market dynamics. By contrast, the new metropolitan leadership is intensely focused on, in the words of John Hofmeister, a former president of Shell Oil, “getting the future right.”<sup>2</sup> They think in the long term, act in the short run. Twenty of the top fifty metropolitan areas in the country now have formal planning efforts to achieve specific growth targets by 2040.<sup>3</sup>

The federal and state governments, at their core, establish laws and promulgate rules. In so doing, they reflect the curse of the twentieth-century Weberian state: highly specialized, overly legalistic, prescriptive rather than permissive, process oriented rather than outcome directed. They reward consumers who play by the rules, check the box, and confine their innovations to tightly circumscribed boundaries. Cities and metropolitan areas, by contrast, are action oriented. They reward innovation, imagination, and pushing boundaries. As networks of institutions (for example, firms, agencies, schools), they run businesses, provide services, educate children, train workers, build homes, and develop community. They focus less on promulgating rules than on delivering the goods and using cultural norms rather than regulatory mandates to inspire best practice. They reward leaders who push the envelope, catalyze action, and get stuff done.

The federal and state governments are organized as a collection of hardened silos, fragmented executive agencies overseen by separate legislative committees. These agencies look down at challenges, conforming and confining the reach of solutions to the powers and resources at hand. A transportation agency responds to transportation challenges (for example,

congestion) with transportation solutions (for example, widening a road), affirming the old adage “If the only tool you have is a hammer, everything looks like a nail.” Cities and metros are, by contrast, organic communities. Multiple public, private, and civic actors are empowered to look across challenges, naturally connecting the dots between related issues. Resolving a transport challenge, for example, might most effectively and efficiently be achieved through a shift in housing or jobs location or alternative means of transportation. Metros are integrated rather than compartmentalized.

The federal and state governments focus on atomistic firms and workers and silver-bullet tax and regulatory solutions. Cities and metros, by contrast, blend the ecosystem and the enterprise. They focus not just on a singular transaction, firm, or solution but rather on building effective structures, institutions, intermediaries, and platforms to give dozens of entrepreneurs and firms what they need: skilled talent, strategic capital, stable governance, reliable rules, functioning infrastructure, collective branding, and marketing.

The federal and state governments, driven by outworn notions of legislative horse-trading, prefer one-size-fits-all solutions that serve to frustrate rather than placate. They spread resources across the landscape of the nation and their states like peanut butter on a slice of bread, diluting return on investment and diminishing public confidence in public action. Cities and metropolitan areas are, by contrast, aligned and attuned to the differentiated nature of their economies. They build on their distinctive strengths, buttress and leverage their specific assets, attributes, and advantages. They follow Dolly Parton’s maxim: “Find out who you are and do it on purpose.”<sup>4</sup>

The federal and state governments constitute passive, representative democracy; citizens’ only active role is to vote at designated intervals. Cities and metropolitan areas constitute active, participatory democracy: tens, if not hundreds, of thousands of leaders who collectively steward their places, guide their regions, and coproduce their economies.

The federal and state governments think in terms of constituencies competing against one another for scarce resources and routinely practice divide-and-conquer tactics. Because they are dominated by legislatures that are divided by party and ideology, they reward those who rely on partisan calculus and engage in partisan combat. There, good politics is good

policy—for individuals seeking to move up the legislative ladder. Cities and metropolitan areas think in terms of networks that act together to achieve common goals and encourage collaboration and teamwork. They have a different disposition toward progress and continuous improvement. There, good policy is good politics—for individuals seeking to gain community trust and commitment.

Metropolitan leaders, in short, own challenges in ways that representatives of higher levels of government do not. Problems like congestion, educational performance, or economic progress are experienced rather than studied. Leaders live daily with the consequences of their decisions. Metropolitan success is tangible and almost tactile: it can be tasted, touched, and felt in ways that abstract national actions cannot.

## A REVOLUTION'S PROMISE

The metropolitan revolution offers the United States its best chance to revive its national economy, reboot its national competitiveness, and restore purpose to its politics and civility to its commons. For a national economy stuck in first gear, the metropolitan growth model offers the promise of more jobs (to resolve America's employment deficit), better jobs (to make work pay), and more accessible jobs (to ensure workers can get to those jobs). Against all odds, cities and metros are working to restructure the economy away from tantalizing illusion (endless consumption and irresponsible speculation) and back toward hard fundamentals: talent-fuelled production and innovation. The prerecession economy, driven by consumption and amenities, celebrated the uniform. The next economy, driven by production and innovation, rewards the distinct.

For a nation undergoing profound demographic transformation, the metropolitan model of education and social integration provides a path toward managing growth and diversity in a way that lifts all boats. Cities and metros understand intuitively what the nation fitfully remembers and often contests: the United States is demographically blessed, and diversity is its greatest competitive advantage and strength.

For a nation paralyzed by hyper partisanship, the metropolitan model of collaboration offers a sensible counterpoint. Cities and metros are honoring the lessons learned at early age in the sandbox: those who play well together reap mutual rewards and benefits.

For a nation confronting new global realities, the metropolitan model of global engagement reveals another lesson: places that link together grow together. In many respects, cities and metros are guiding the world back to the pre-Westphalian era, when networks of trading cities—the ancient Silk Road, the medieval Hanseatic League—provided the platform for relationships of mutual benefit and exchange.

The lines, in essence, between the macro and the metro, the global, the national, and the local, have become blurred. Cities and metros, lacking any choice, are innovating on the big stuff: policies and practices that drive the wealth-generating, tradable sectors of the economy; commercialization of innovation; support for advanced manufacturing, export promotion, and foreign direct investment; public-private financing of advanced transport and energy infrastructure; upgrading the education and skills of a diversifying workforce; attracting foreign-born talent and assimilating immigrants; engaging globally on the seamless movement of people, goods, services, ideas, and capital; forging strong relationships with trading partners in mature and rising economies alike.

If American history is any guide, these metropolitan innovations will not begin or end in isolation. We know that innovations naturally replicate “horizontally” across multiple cities and metros, adapted and tailored to the unique circumstances of disparate places. Cities and metros are fast, eager learners, ever observant of their peers, able to move quickly to spot innovation elsewhere and apply it at home. A smart export strategy in Portland will inform thinking and action in Phoenix within months, given easy access to information and the tendency of smart ideas to spread virally in a political market.

The natural metropolitan propensity for innovation and replication is being sped up by market adoption, technological progress, and global urbanization. The metropolitan revolution is inventing new ways of financing and delivering transformative infrastructure investments and game-changing initiatives, partly to substitute for declining government resources, partly as a result of the growing sophistication of public-private techniques. The revolution is being televised by twenty-first-century means, deploying the disruptive technological tools of the young century, particularly the Internet and the social media it has enabled. Metropolitan ideas and practices are leapfrogging state and even national borders, moving across borders with the speed of a click or the concision of a tweet. Ideas are also being spread, face to face, metro to metro, by the new globalists—multilateral institutions

and multinational corporations, for sure, but also transnational philanthropies, associations, think tanks, and intermediaries that are now focused on the rise of cities as the dominant trend worldwide.

Local and metropolitan innovations also tend to scale up vertically, at the state and then the national level. City and metropolitan innovations today (government reinvention, school reform, smart growth, infrastructure finance) become federal and state innovations tomorrow. This is a time-honored tradition in the United States. It occurs partly because successful mayors and metro leaders tend to move up the political ladder (bringing their pragmatic ethic and favored reforms with them), partly because local innovators gain political legitimacy and currency, and partly because the political class is perennially hungry for new ideas and initiatives.

The scale-up of metropolitan innovation is also a product of raw politics. The political power of cities and metropolitan areas has long lagged their economic primacy. Governmental fragmentation within metropolitan areas and historic city-suburb divisions have been a challenge, as have differences in priorities among metropolitan areas, within and across states. Yet this is changing. The extent of policy innovation at the metro scale, and growing frustration with the dysfunction of higher levels, is yielding new cross-jurisdictional, bipartisan, multisectoral coalitions that, in turn, are clamoring for federal and state reforms that, at a maximum, support and extend local efforts and, at a minimum, do no harm.

The logic of today's metropolitan revolution is unveiling a third path for progress. The revolution is occurring at the very time that the United States is having its most vital and virulent debate in decades about the size and scale of the federal government. The federal government will scale back in the coming years. But the current debate, largely framed around deficit targets, entitlement spending, and programmatic budgets, is not sufficient. This is not a mathematical exercise but a choice about core national priorities. We face fundamental decisions, about not just the size of the federal government but also its purpose, not just the scale of the federal government but also its scope, not just federal focus but also federalist delivery.

As cities and metros step up, states and the federal government may be moved to do less but do it better, to cut speculative spending, invest in productive activity, and place their resources and policies fully in the service of metropolitan America. The United States is on the verge of a historic re-sorting, in which responsibilities once reserved for higher levels of

government are being fully shared with, even shifted to, cities, metropolitan areas, and the networks of leaders who govern them. The federal government and the states could shift responsibilities *de jure*, as Germany did to its states with housing policies in the early years of this century, or, more likely, *de facto*, as metros rush in to fill financing gaps left by federal cutbacks. In any event, the federal government and the states will be motivated to do more with less by giving cities and metropolitan areas greater flexibility to design and allocate what are likely to be shrinking levels of resources.

## REALIZING THE REVOLUTION

This is a book about fully realizing the metropolitan revolution, a manifesto for change and action. In 2013 we find ourselves at a crossroads. On one hand, the United States has grown a network of metropolitan economies and metropolitan polities that are endowed with assets, rich in leadership, and fundamentally oriented toward problem solving and progress. On the other hand, we have a federal government (and, unfortunately, a hefty number of states) that is paralyzed by ideological division, and driven more by short-term political gain than long-term national progress. The metropolitan revolution could not be further—in spirit, in tone, in constitution—from the farce currently being played out in Washington, D.C., and in many state capitals.

We intend, in the first instance, to chronicle a revolution in motion by exploring metropolitan areas that illustrate a mix of individual leadership and institutional heft, of idealism and pragmatism, of affirmative vision and realpolitik. We will look, for instance, at economy shaping in New York City and Northeast Ohio, society building in Houston, coalition building in Denver and Los Angeles. These and other places we visit in this book are a repudiation of the current national myth that America lacks leadership at the very time we confront supersize challenges and Solomonic choices.

Yet cities and metropolitan areas, even if they are largely on their own, cannot go it alone. Federal and state governments are dysfunctional but powerful actors. If the states are an irresponsible parent, the federal government is a distant, often clueless relative—who nonetheless controls the family money. Washington also has a crippling hoarding disorder: everything is collected, nothing is discarded. After decades of growth, the

government has become an accretion of program over program, regulation over regulation, law over law. As Washington struggles with deficit reduction, it is not enough to get the federal fiscal house in order. It is time for a housecleaning of epic proportions—and for a national policy in the service of cities and metropolitan areas in order to fully realize and leverage the competitive assets and advantages of our national engines.

The metropolitan revolution under way in the United States is a step change in political consciousness and collective action. The transformative actions taken by metros today are innovative and promising. But they are not uniformly applied, and there is much work to be done to ensure that the metropolitan revolution is the norm rather than the exception.

Metropolitan areas *can* situate themselves economically. They can understand who they are, how they are special, what they invent and trade, and whom they trade with and then decide to measure what matters by charting progress, keeping score, and assessing effort.

Metropolitan areas *can* innovate locally. They can act on their distinctive strengths in strategic ways. They can stop subsidizing the stupid stuff and start investing in those things that create jobs and generate wealth, a metropolitan version of the cut-to-invest strategy we recommend for the federal government and the states. They can get back on track and stay on track.

Metropolitan areas *can* network globally. Knowing their trading partners, they can structure intimate and sustained relationships across governments, firms, and institutions to undergird the seamless flow of goods, services, people, capital, and ideas. This is what will fuel exchange and commerce in our urban age.

Finally, metropolitan areas *can* advocate nationally. On paper, they are a supermajority in the nation and a supermajority in most states. There is nothing—*nothing*—that can stop metropolitan political coalitions that are organized, focused, and engaged.

They can do all these things with precision and granularity, with ambition and vision, with persistent dedication and hard work.

We do not believe in fairy tales. The federal government will not heal itself any time soon. The states are political artifices, not natural markets. We do, however, believe in metropolitan pragmatism, metropolitan power, and metropolitan potential.

This book explains why.