Metro Nation: How Ohio's Cities and Metro Areas
Can Drive Prosperity in the 21st Century

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Introduction

Thank you for this invitation. It is an absolute pleasure to be back in Ohio for this important conference and I commend you on the focus on Big Ideas for Ohio's Future, the theme of this retreat.

This part of the state has special meaning for me. I spent many of my childhood summers in Steubenville, Ohio, which was the home of my father's sister and her family. As a Brooklyn boy, I was overwhelmed by the industrial might of that region…and, as an allergy sufferer, the dirty air! Thirty five years later, I am equally stunned by the extent of the economic devastation wrought by deindustrialization and economic restructuring.

With that personal reflection, I want to speak about the broad forces affecting Ohio and the steps the state can take to stimulate robust growth that is shared, sustained, and sustainable.

We stand at a remarkable juncture in Ohio and the United States.

Your state is at the start of a new political beginning with a new Governor and a new level of collaboration between the legislature and the executive branch as evidenced by the recent budget. The fact that the Governor and all four legislative leaders are here today is testament to the "new day."

We will soon have a new beginning at the national level as well. 2008 will be the first presidential election since 1952 when no incumbent president or vice president will run as the nominee of either political party. This has already set off a competition for ideas among the major candidates, as they scramble to distinguish themselves before a public hungry for leadership.

Most significantly, these political milestones take place at a time of rapid, dynamic, often unsettling change in the United States and abroad which fundamentally alters the mix of challenges facing the nation and rewrites the rules governing prosperity for all of us.

Ohio is at the "eye of the political and economic storm." This state has been the great "decider" in close presidential elections and promises to be so again in 2008. And this state is at the epicenter of the historic economic transition underway around the world.

I want to "connect these dots" and make three central arguments today.

First, broad demographic and economic forces are repositioning metropolitan areas as our engines of national prosperity and the vehicles for achieving environmental sustainability and social progress. The world, in essence, is not just "flat." Rather, the workers and firms that fuel the economy (and the institutions and infrastructure that support them) are highly concentrated and congregated—agglomerating in a network of hyper-linked metropolitan areas around the globe. An astonishing 83 percent of our nation's population, and 81 percent of Ohio's population, lives in metropolitan areas which, together, drive and dominate the economy and house our wealth generating industries, our centers of research and innovation, our ports of commerce, and our gateways of immigration. Ensuring that these places have the tools to build on their economic strengths is a critical yet unrecognized element of state and national competitiveness.

Second, cities play a special role within metros and states. Simply put, the dynamic change underway in our country values the physical, institutional, economic, and cultural assets of cities in ways that the prior economy did not. Ohio's cities house many of these critical assets and could, and should, play a significant role in the state's economic turnaround. Yet, as Brookings found in a report released earlier this year (entitled *Restoring Prosperity: The State Role in Revitalizing Older Industrial Cities*), Ohio's urban assets are woefully underleveraged and underutilized. Many of Ohio's older industrial cities continue to struggle economically and socially, battered by deindustrialization, the legacy costs associated with the prior economy, patterns of racial segregation, and the urban undermining tilt of past and current state and federal policies. All this needs to change if the state is going to prosper again.

Finally, we believe that state government can be a key catalyst for the revival of urban economies. Our report offers a five-part playbook for states to follow, drawing heavily from innovations that are already underway in Europe as well as other industrial states like Pennsylvania. These strategies are intended to unleash the economic potential of your industrial cities and the people who live there and to trigger a phenomenal "return on investment" for the state. As you will see, these strategies reflect commonsense principles and are widely applicable—relevant not just to bigger cities and metros in the state like Cincinnati, Cleveland, and Dayton but to smaller cities and metros like Lima, Mansfield and Springfield and, I would argue, to the Cambridges, Celinas, Coshoctons, and other county seats as well.

So let me start with an initial proposition: big forces have put metro areas in the driver's seat of history.

The United States is going through a period of profound, dynamic change.

Unlike our European competitors, the American population is growing by leaps and bounds: from 151 million in 1950 to 282 million in 2000. We surpassed 300 million in population last year and we are projected to expand by another 120 million in the next 43 years. Only China and India will experience this level of growth.

Our growth since the mid 1960s has been fueled in part by an enormous wave of immigration. Incredibly, some 35 million of our residents were born outside the United States. That is more than 12 percent of the population, the highest share since 1920.

The pace of population growth and demographic change in our country is matched only by the intensity of economic transformation.

Globalization has accelerated the shift in our economy from the manufacture of goods to the conception, design, marketing, and delivery of goods, services, and ideas.

Manufacturing represents only 10 percent of the jobs in the American economy today (down from 23 percent as recently as 1970), while service jobs constitute 40 percent of our employment base.

Technological innovation has literally shrunk the world, reducing the cost of transmitting information to virtually nothing.

Such innovation, as well as market liberalization in China, India, Russia, and elsewhere, has enabled an explosion in international trade and commerce and a rewiring of the economic circuitry of whole societies.

The American economy is now firmly a knowledge-oriented, technologically driven, globally integrated, innovative economy.

Thirty years ago, some futurists predicted that the restructuring of the global economy and technological advances would free and un-anchor us from place, precipitating a mass de-urbanization throughout our nation and others.

Well, they were wrong. The opposite has occurred.

Big forces have reconfirmed the primacy and centrality of place.

The top 100 metro areas alone claim only 12 percent of our land mass but harbor more than 65 percent of our population, 74 percent of our most educated citizens, 77 percent of our knowledge economy jobs, and 84 percent of our most recent immigrants.

Ohio reflects this shift towards a Metro Nation. You have 16 metropolitan areas in this state which comprise 81 percent of the population and close to 87 percent of your economic output.

Some of these metropolitan areas (Cleveland, Columbus, Cincinnati) are quite large, with populations over 1.5 million. Others (Akron, Canton, Dayton, Toledo, Youngstown) are medium sized, with populations that range from 400,000 to over 800,000. And still others (Huntington, Parkersburg, Sandusky) are quite small, with populations under 80,000.

Irrespective of size, each of these metros represents one seamlessly integrated economy with unified labor and housing markets, transportation networks, and "commuter sheds."

Metropolitan areas constitute the real geography of economic activity in this country as elsewhere. Firms and workers routinely operate across artificial political boundaries. Thus, cities, municipalities, and towns with urban, suburban, exurban and even rural qualities and characteristics combine under one metropolitan economic "roof."

As our nation has evolved, our metros have become exceedingly varied and complex and defy the conventional caricatures of "city" and "suburb."

Consider these realities:

Suburbs, once bedroom communities, now dominate the economic landscape. Only 1/5 of the jobs in metropolitan areas are located within three miles of traditional downtowns; an astonishing and growing 35 percent of metropolitan jobs are located more than 10 miles away from city centers.

Poverty, once overwhelmingly concentrated in cities, has drifted into the suburbs. In 2005, for the first time in American history, more poor people live in suburbs than in traditional cities.

And diversity now permeates our metropolitan communities. Racial and ethnic minorities now make up 27 percent of suburban populations, up from 19 percent in 1990.

Yet, far from being dead, many cities are experiencing a second life, fueled, in part, by their distinctive physical assets: mixed use downtowns, pedestrian friendly neighborhoods, adjoining rivers and lakes, historic buildings, and distinctive architecture.

In short, these are not your parents' cities, not your parents' suburbs, and decidedly not your parents' metros.

The evolution of metropolitan areas as the prime engines of national economies reflects one central reality of modern economic life. Across the world, national economies have evolved into a series of clusters—networks of firms that engage in the production of similar products and the provision of similar services. And firms within these clusters crave proximity to pools of qualified workers, to legal, financial, and other specialized services that often require face-to-face interaction, to infrastructure that enables mobility of people and goods, and to other firms so that ideas and innovations can be rapidly shared.

The American economy—like the British or German or Chinese or Indian economies—has achieved an uneven spatial form with disparate industry clusters concentrated within disparate places:

- Motor vehicles in Detroit and the metropolitan regions of the industrial heartland in the Midwest;
- Advanced manufacturing in Akron, Cleveland and Dayton;
- Aerospace in Seattle and St. Louis;
- Pharmaceuticals in Northern New Jersey counties and San Francisco and the Research Triangle;
- Finance in New York and Charlotte and Boston;
- Information technology in Silicon Valley, San Francisco, Seattle and Washington, D.C.;
- Energy in Houston and New Orleans and Atlanta; and so on and so on.

Here is the bottom line.

In Ohio as elsewhere, the economy does not take place in the abstract but in real places, with real concentrations of workers and firms.

We need to change our mental map of Ohio from a fragmented, even chaotic mix of thousands of counties, cities, municipalities, towns, and school districts to a network of highly connected, hyper-linked, economically, environmentally, and socially integrated metropolitan areas.

These metros are the units of the global economy and the real competition today is external—between your metros and other metros in the nation and the world—rather than internal—between the cities and suburbs, townships and municipalities that make up individual metropolitan areas.

What will it take for your state and your metros to thrive and prosper?

Innovation, because a place's ability to exploit new ideas through new products, new processes, and new business models is critical to compete against metros in rising nations like China and India that can always excel on price (particularly the price of labor).

Human Capital, because the level and quality of education and skills determine worker productivity and worker compensation in developed nations. In the 21st century, "You produce what you know and you earn what you learn."

Infrastructure, because state-of-the-art transportation, telecommunications, and energy infrastructure is critical to moving goods, ideas, and workers efficiently and to providing a safe, secure, competitive climate for business operations.

And, ***quality communities***, because in a world where capital and labor are mobile, corporate decision makers, entrepreneurs, and individual workers are all looking for places that are distinctive, special, and rich in amenities, choice, and diversity.

Now you know better than I, that Ohio has a way to go on these four elements of competitiveness.

On innovation, Ohio once was the cradle of new ideas in this country, whether it was the birth of the aviation sector, the invention of the cash register or, my favorite, the creation of Play Doh.

In the 1950s, Ohio ranked 6^{th} in the nation on patents per capita. But your inventive spirit has fallen over the decades. You fell to 11^{th} place on this critical measure in 1988, and then again to 20^{th} place by 2001.

Part of this decline in innovation is explained by the state's human capital position and the legacy of industrialization.

Only 23 percent of adults in the state of Ohio have a BA, placing you 38^{th} in the nation on this fundamental indicator.

Incredibly, many individuals who start college do not finish. Only 56 percent of college freshman in Ohio earn a BA within six years, placing you 19^{th} in the nation.

On infrastructure, the challenge is not what you spend, but where you spend. The state is characterized by conflicting and wasteful development patterns of "slow growth and fast sprawl," fueled by an addiction to highway expansion that makes little economic or fiscal sense.

Now I could spend the remainder of my presentation assessing the extent to which recent state policy has responded to the three central challenges of innovation, human capital, and infrastructure.

But, given the release of the Brookings report on industrial cities several months ago, I would like to focus intensely on how the state thinks about and acts on the final ingredient of prosperity—quality communities.

The starting point for the discussion is a simple proposition: cities matter again and states ignore the health and vitality of cities at their own peril.

Why the shift in economic relevance and function?

Firstly, population growth and demographic change dramatically expand the universe of families who either seek or are willing to experiment with urban living to include:

- Immigrant families who seek tolerant and welcoming communities;

- Elderly individuals who seek places with easy access to medical services, shopping, and other necessities of daily life;

- Middle aged couples whose children have left the nest and who are open to new neighborhoods and shorter commutes; and

- Young people who are experimenting with urban lifestyles popularized on television shows like Seinfeld, Sex and the City, and Friends.

The restructuring of the American economy also gives cities and urban places a renewed economic function and purpose.

An economy based on knowledge bestows new importance on institutions of knowledge like universities and medical research centers, many of which, like Case Western, Cleveland State, Ohio State, or the University of Cincinnati, are located in the heart of central cities and urban communities.

More generally, the shift to an economy based on ideas and innovation changes the value and function of density. As I noted before, the advanced, technologically sophisticated firms that now drive the American economy crave proximity to pools of qualified workers, to legal, financial, and other specialized services that often require face-to-face interaction, to infrastructure that enables mobility of people and goods, and to other firms so that ideas and innovations can be rapidly shared.

A changing economy and society, in short, revalues the assets of cities:

- Physical assets like waterfronts, historic buildings, pedestrian friendly neighborhoods, and transit rich corridors;

- Economic assets like higher educational institutions and health care facilities (the so-called "eds and meds"), downtown employment centers, and other regionally significant nodes of employment; and

- Cultural assets ranging from the iconic-like museums and sports stadia and theaters to the street level mix of restaurants, art galleries, and daily hum of pedestrians.

Our report showed that Ohio's cities have some enormous challenges and substantial assets.

To recap, our report looked at over 300 cities and found that 65 cities were in the bottom third of performance on both the economic and social front.

What is remarkable about this inventory is that more than half of the cities are located in the old industrial heartland of New England and the Midwest, specifically seven states ranging from Massachusetts, Connecticut, and New Jersey to upstate New York, Pennsylvania, Ohio, and Michigan.

Eight Ohio cities are represented on the list: Canton, Cincinnati, Cleveland, Dayton, Mansfield, Springfield, Warren, and Youngstown.

It is not just the cities that are underperforming. Every one of those cities except Cincinnati is located in a metropolitan area that itself is underperforming compared to their national peers.

The city/metro similarities shouldn't be surprising. Cities and suburbs are bound together, completely interdependent and inextricably linked. City success invariably extends suburban prosperity. The opposite is increasingly true as well.

These places are critical to the future of Ohio. Add these underperforming cities and metros together (along with the smaller city and metro of Lima) and we find that over 42 percent of the state's population lives in these places.

These places are not just population centers. They are replete with assets that matter immensely in our changing nation.

In the nine older industrial cities that are the focus of this report, we find:

- 755 properties that are on the historic register (including 216 in Cleveland alone);
- 24 four year colleges and universities;
- 28 two year colleges;
- 58 hospitals and major medical facilities;
- 30 museums; and
- Six major league sports teams.

The bottom-line: Ohio's cities retain enormous assets that are systematically under-recognized, under-utilized, and under-leveraged.

So how does Ohio leverage these and other urban assets and, in the process, fuel economic growth, leverage private investment, and grow quality jobs?

Our report focuses intensely on the role of states in reviving the economies of older industrial cities.

Our focus on states is simple: they have a profound influence on the health and vitality of cities.

States set the number, geography, and powers of local governments. Cities in essence are creatures of state law.

States establish the fiscal playing field for municipalities and school districts.

States influence the skeleton of regions through their investments in physical infrastructure, highways, transit, affordable housing, main streets, downtowns, public parks, and green space.

States are the biggest investors in education, the fuel of the next economy. They are the biggest investors in elementary and secondary schools as well as community colleges and four year universities.

States regulate major sectors of the economy, like insurance or banking or even real estate.

And states help shape the opportunity structure for low wage workers through their own interventions in, inter alia, the minimum wage, state earned income tax credits, health care coverage, and immigrant policy.

Given these powers, our report recommends that states pursue five interrelated policy strategies to unleash the economic and fiscal potential of cities and urban places, drawing heavily from innovations in Europe and other industrial states.

First, we argue that states help cities fix the basics. In the end, people decide to move and businesses decide to locate in places with good schools, safe streets, dependable services, and an efficient local government.

States have an immense impact on ensuring that the urban "basics" are in place and fully functional, because of their investments in schools, because of the sweeping influence of the state criminal justice system, and because of the grounding of local taxation policies in state law.

And state innovation abounds on all three fronts. Virginia and Massachusetts are testing out new approaches to urban school reform that deserve close consideration. Ohio can look to New York and other states that are working to ensure that prisoners reentering urban communities have the skills needed to be productive citizens.

Second, we argue that states build on the economic strengths of cities—the confluence of higher education institutions and major hospitals (the "eds and meds"), the continued existence of key private employment clusters, the centers of government activity, and the valued property along waterfronts and in older downtowns.

Investments in medical research, for example, help cities since so many of the institutions that conduct cutting edge research and compete well for federal grants— like Johns

Hopkins University, the University of Pennsylvania, Yale University, and Case Western—are located in the urban core. Across the country, states like California and Massachusetts are investing billions of dollars in advanced research and innovation and, as a consequence, in boosting the economic fortunes of their urban places.

States are also increasingly focused on maximizing the economy sparking and innovation generating potential of downtown clusters of people and firms, art and culture. Our report recommends that states make attracting at least 2 percent of metropolitan area residents to live in urban downtowns a centerpiece of recovery agendas. As European cities have shown, the critical massing of people would attract amenities that lure businesses and jobs for downtown and metro-area residents, shoppers, and tourists and help stem the exodus of young workers. Appealing new housing with street-level cafes and shops would bring life and a virtuous cycle of growth to metropolitan hubs. Just imagine the economic, fiscal, and psychological impacts of housing 42,000 residents in downtown Cleveland, 32,000 residents in downtown Cincinnati, and 17,000 residents in downtown Dayton.

Third, we argue that states should help cities transform their physical landscape. As discussed above, the physical layout of most American cities—mixed use downtowns, pedestrian friendly neighborhoods, adjoining rivers and lakes—is uniquely aligned with the preference of innovative economy for density and amenities. Yet cities face many practical physical challenges in realizing their economic and fiscal potential.

The hard fact is that the infrastructure in many cities—the roads, bridges, water and sewer lines, subway tunnels, school buildings, and the like—is old and needs to be cleaned and recapitalized. Yet there are many examples of infrastructure, elevated roadways that divide cities from valuable waterfront properties, for example, that have outlived their usefulness and are impeding economic growth. Some cities like Milwaukee have already decommissioned and torn down some of their elevated freeways, to great economic and fiscal effect. In many cities, freeway demolition is a critical component of the downtown strategy noted before—again, commonplace in Europe since the 1980s.

After decades of urban disinvestment, states are beginning to focus on the critical infrastructure needs of cities.

For example, under the leadership of Governor Ed Rendell, Pennsylvania has been working to reverse many of the negative state policies chronicled by our 2003 report.

The Commonwealth has embraced “fix it first” policies in transportation, stopping sprawl and inducing road projects at the fringe in order to fund infrastructure repair and even transit operations in the metropolitan core.

The Commonwealth has also created formal investment principles in order to target capital spending—roads, university extensions, state office buildings—to communities that already exist rather than places that have yet to evolve.

Fourth, we argue that states help cities grow a strong, resilient, and diverse middle class that can fuel and advance the economic potential of these places. A strong middle class is an essential foundation of economic prosperity, neighborhood stability, and economically integrated schools.

How can states do this? Partly by enhancing education and skills, partly by supplementing incomes, and partly by reducing the costs of living in cities.

And states are acting. On the income side, a growing number of states—currently 18 plus the District of Columbia, comprising 46 percent of the U.S. population—are enacting minimum wages higher than the federal standard, some of them significantly so. And 21 states plus DC now have their own earned-income tax credit (EITC) programs, which, like the federal program, supplement the incomes of workers who earn up to double the rate of poverty with a refundable year-end tax credit.

Finally, we argue that states help cities build neighborhoods of choice, communities that give the people who live there access to functioning markets, attractive amenities, quality schools, and other essentials of community life.

That will require a major rethinking of state affordable housing policies, which have tended to over-concentrate affordable housing in distressed cities, isolating parents from quality jobs and consigning children to urban schools that don't function. By contrast, state housing agendas should expand housing opportunities for moderate- and middle-class families in the cities and close-in suburbs while creating more affordable, "workforce" housing near suburban job centers.

Some states, slowly, haltingly, are doing just that. In California, for example, every city and county must develop a "housing element" that identifies sites appropriate for new affordable housing. Anti-NIMBY laws prohibit local governments from withholding approval for any new low-income housing development unless certain narrowly drawn conditions exist. The state also has a "density bonus" law requiring local governments to grant up to a 35 percent increase in allowed density if a prescribed minimum percentage of affordable units per development are attained.

Now obviously, Ohio is already doing some of what I described above.

Our report mentions two signature Ohio efforts, the Clean Ohio Fund (which stimulates brownfield recovery) and the Ohio Career Pathways Project (which helps lower wage workers advance their careers), as two initiatives worthy of replication.

And more has been accomplished in recent months to increase the affordability of post secondary education and to enhance skills training in the state.

I applaud these policies and believe that they are having and will have a salutary affect on cities and the families who live there.

Yet the fact remains that, on balance, state policies have created 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; and rules that often consign low wage workers and minorities to the "wrong side of regions."

Here are some examples of state policies that undermine urban revitalization:

- State governance policies that chop the state into thousands of cities, municipalities and townships and then delegate land use and zoning powers to every single one of these municipalities;

- 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 spend a disproportionate share of road and bridge spending outside major cities, urban counties, and even metropolitan areas; and

- 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 state, in essence, is taking two steps forward and five steps back.

The only way forward is to enact systemic, structural reforms that give cities the chance to compete fully for businesses and people.

The only way forward is to make some central, market shaping investments that build on the innovation and knowledge assets of cities.

And the only way forward is to make strategic, transformative investments that reshape the economic and fiscal destiny of cities.

Make no mistake.

If the state does these things, it could be the catalytic spark that renews not just the cities but the weak and struggling metros that surround them.

Let me conclude with these thoughts

I believe firstly that this state (and its political, business, and civic leaders) needs an urban and metropolitan vision—not only because it's the right or equitable thing to do but because it's the competitive thing to do:

- A vision of competitive cities and suburbs that nurture strong, resilient, adaptive, and innovative economies;

- A vision of sustainable cities and suburbs that promote accessible transport, residential and employment density, and energy efficiency; and

- A vision of inclusive cities and suburbs that grow, attract, and retain the middle class and integrate individuals across racial, ethnic, and class lines.

This vision must respect the central lesson of our time: that the ability of Ohio (or any state) to grow and prosper and meet the great environmental and social challenges of our time rests largely on the health and vitality of its cities and metropolitan areas.

I believe secondly that this state vision needs to be grounded in a clear set of the policy reforms—tax, spending, regulatory, and administrative. These reforms must give cities and metros the rules and the tools to leverage their economic strengths, grow in environmentally sustainable ways, and build a strong, diverse and resilient middle class. We need a new modern partnership between city and municipal leaders "on the ground" and the state government that enables Ohio and the nation to adapt to rapid change, stimulate growth, and spur innovation.

And, finally, I believe that this state vision will only be achieved if there is a new spirit of collaboration in the state, not just across the partisan and ideological divide but across the artificial political boundaries that set city against suburb, suburb against suburb, and metro against rural. Too many jurisdictions in this state are spending their time and their resources competing against each other for a business or a mall or a high end subdivision. In the process, they are squandering scarce public resources and crowding out the ability to invest in what really matters: innovation, education, smart infrastructure, and the quality of places.

So my Big Idea is as follows: rather than competing against each other, Ohio's jurisdictions should be collaborating to compete. Following an economic development playbook forged in the 1970s is debilitating and destructive in the face of historic global competition and economic challenges. The state, in everything it does, must lead and inspire and catalyze this new spirit of collaboration.

I commend you on your thoughtful, rigorous and visionary work. Good luck.