

# Seeing the Forest and the Trees: The Unique CEOs for Cities Lens

***Annual Meeting***  
***May 6, 2005***



**by: Robert Weissbourd**  
**RW Ventures, LLC**

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**R E S T R I C T E D**



THIS PRESENTATION HAS BEEN RATED R FOR  
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**CONTENT MAY BE UNSUBSTANTIATED,  
OPINIONATED AND PROVOCATIVE**

# Agenda

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**What Have We Learned?**

**Implications for Policy and Practice**

**Organizational Implications**

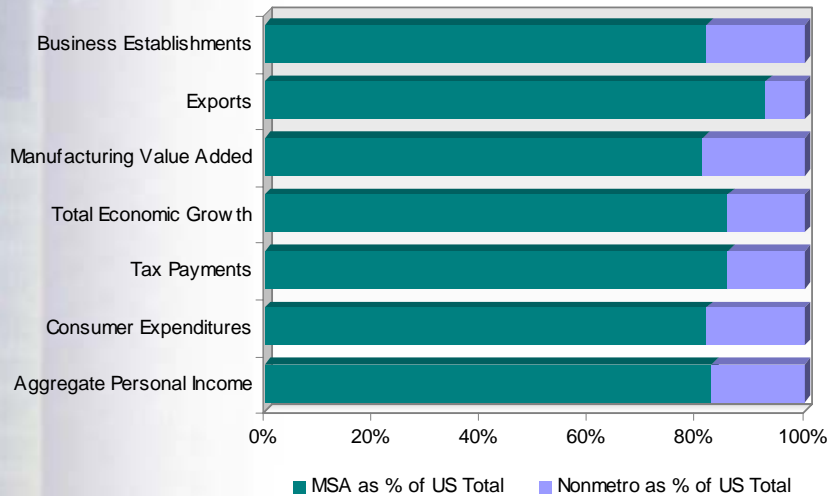
**Comments and Discussion**

# Agenda

## What Have We Learned?

- **The Role of Cities**
- **Geography of the New Economy**
- **Drivers of the New Economy**
- **Market Forces**

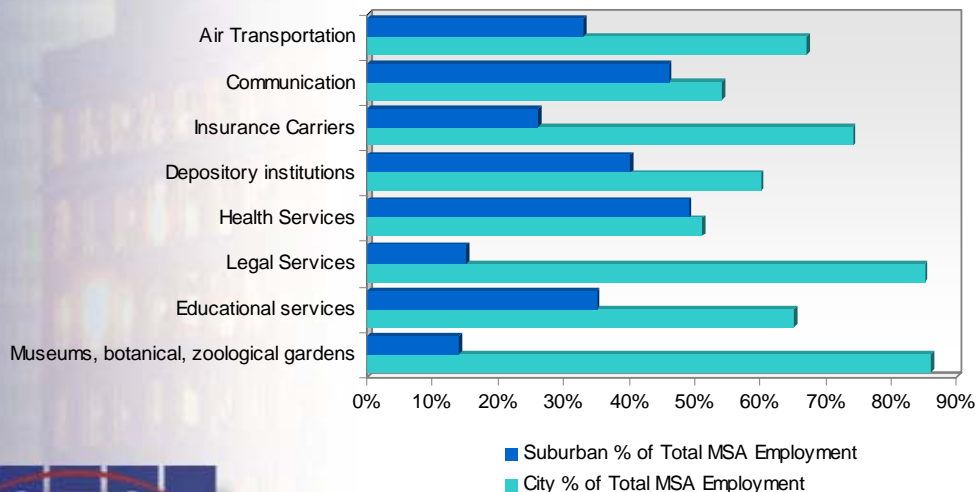
# Cities Drive the National Economy



## Cities and Economic Prosperity

- Cities make a disproportionate contribution to the nation's economic output
- City economies are particularly concentrated in key types of new economic activity
- Cities are hubs for metropolitan areas
- Cities are drivers of metropolitan economies

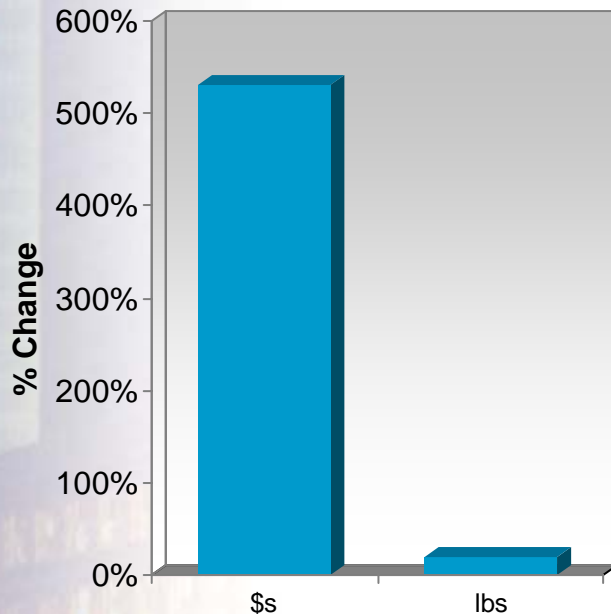
### Hub Functions of Cities



# Cities are Even More Important in the Global, Knowledge Economy

## Gross Domestic Product

% Growth over last 50 years



**Greenspan:** Fundamental change in the economy towards intangible assets

## Increased Value of Knowledge Factors...

- High skilled labor force
- Intellectual property
- Product innovation; flexible customization
- Customer networks
- Knowledge management capacities

## Lead to New Drivers of Productivity which Favor Cities

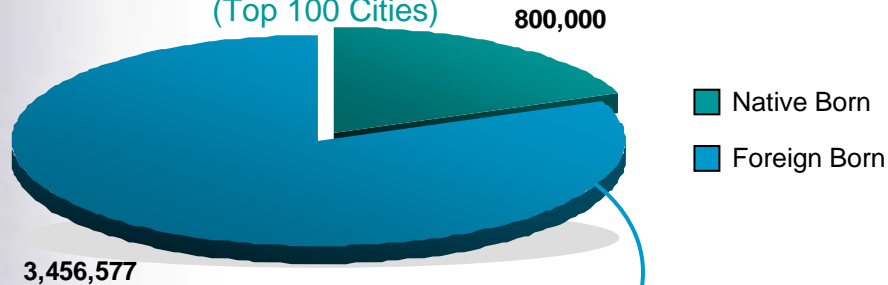
- Dense knowledge networks
- Functional specialization
- Innovative capacity

**Economic Growth Worldwide has been Characterized by Urbanization**

# Demographic Shifts Enhance Cities

## Population Growth 1990-2000

(Top 100 Cities)



The top 100 cities added 4.3 million in population between 1990 and 2000. 80% of this growth was due to increases in the foreign born population.

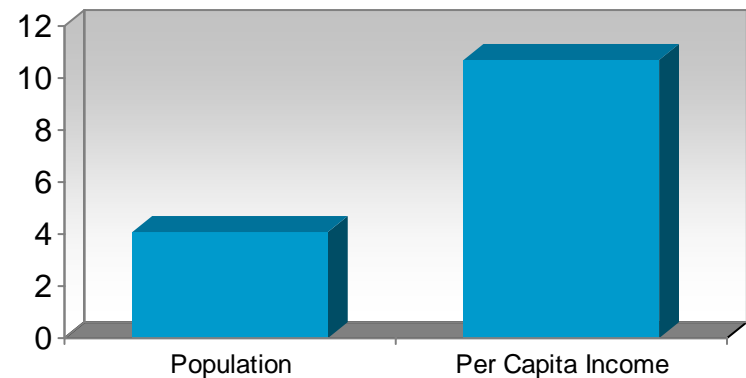
## US Population Growth



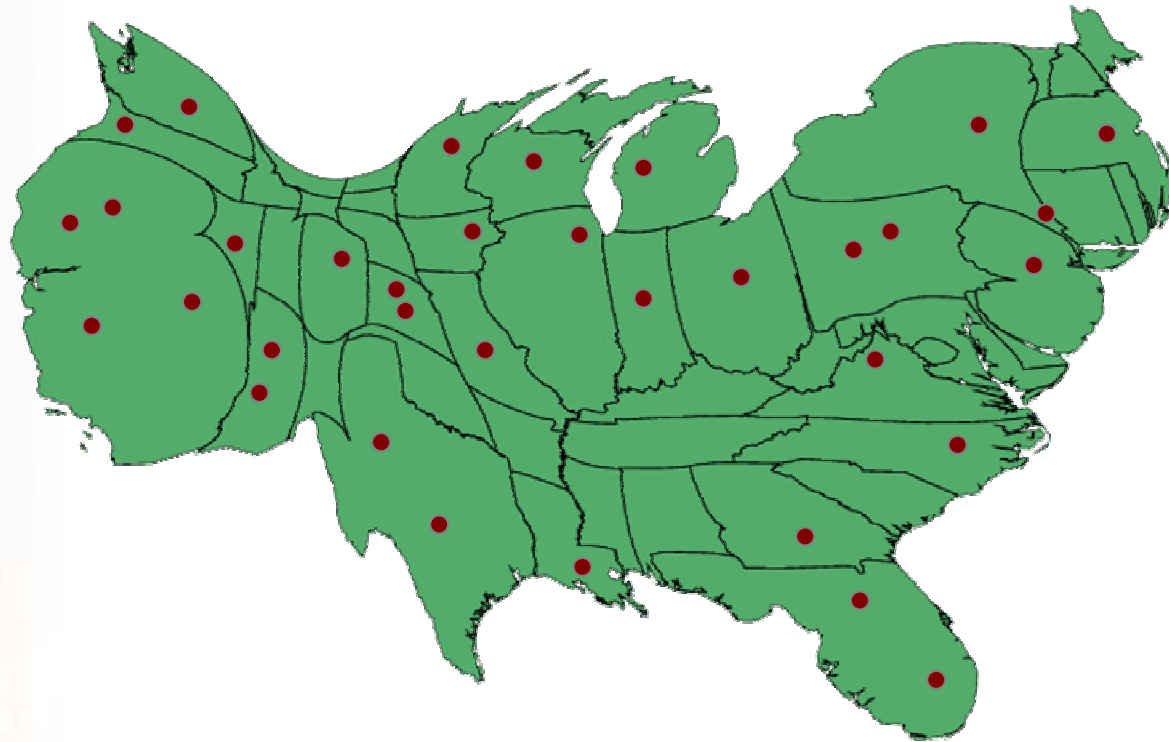
The U.S. added 33 million in population between 1990 and 2000. 35% of this growth was due to increases in the foreign born population.

- Population growth fueled by immigrants settling primarily in urban areas
- Aging baby boomers increasingly choose to return to cities
- Young and singles get married later, enjoy urban lifestyle longer
- Cities increasingly perceived as centers of business, culture and progress rather than crime and poverty (*Celinda Lake Poll*)

## Median Growth (1990-2000)



# 1st Principle



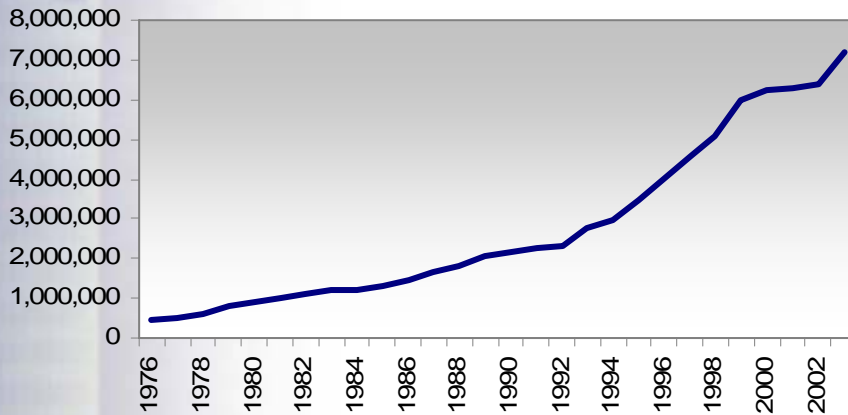
Adapted from Gastner, Shalizi and Newman, University of Michigan

**National Policy = Urban Policy  
(and vice-versa)**

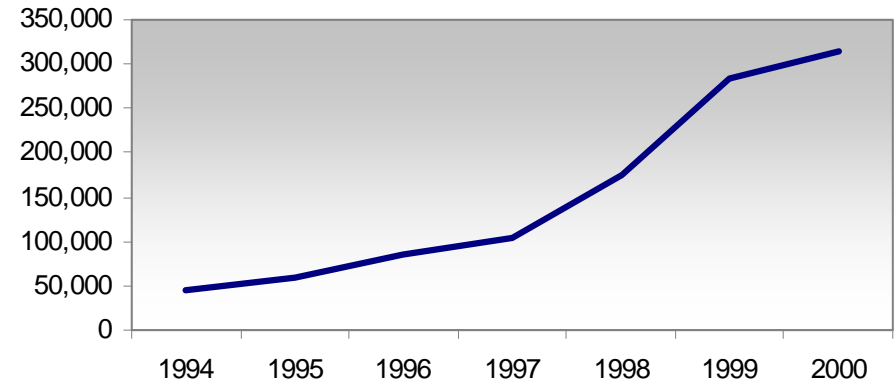


# Cities Perform in a Global Economy

**U.S. Assets Abroad up 1500% Since 1976**  
(in Millions of \$)

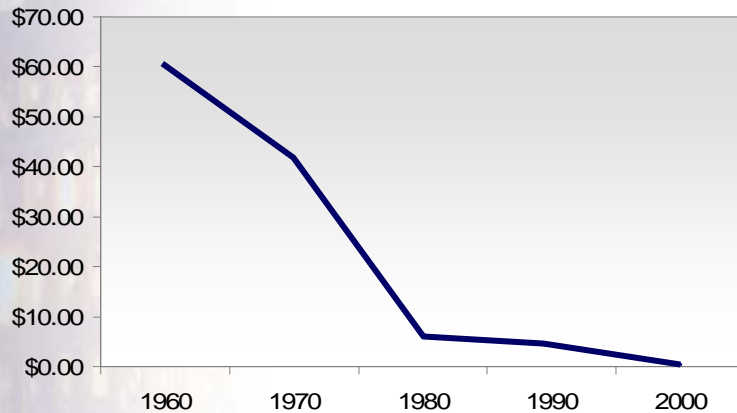


**Foreign Assets in US up 600% (1994 - 2000)**  
(in Millions of \$)



Source: BEA

**Cost of a 3 Minute Phone Call from NY to London**



Source: Paul Masson, 2001

**The World is Smaller –  
Markets are Transnational**

# Markets Are Specializing Across Countries

## Sawhney on Outsourcing: Is The Sky Falling?

**AP** Associated Press

“Tech jobs leave U.S. for India, Russia. Who’s to blame?”

– July 2003

**FORRESTER**

“3.3 million U.S. service jobs to go offshore by 2015”

– November 2002

**The Economist**

“America’s pain, India’s gain”

– January 2003

**BusinessWeek**

“American legislators are accusing India of stealing jobs”

– June 2003



**U.S. House  
Sub-  
business  
Committee**

“Can America Lose These Jobs and Still Prosper?”

– July 2003

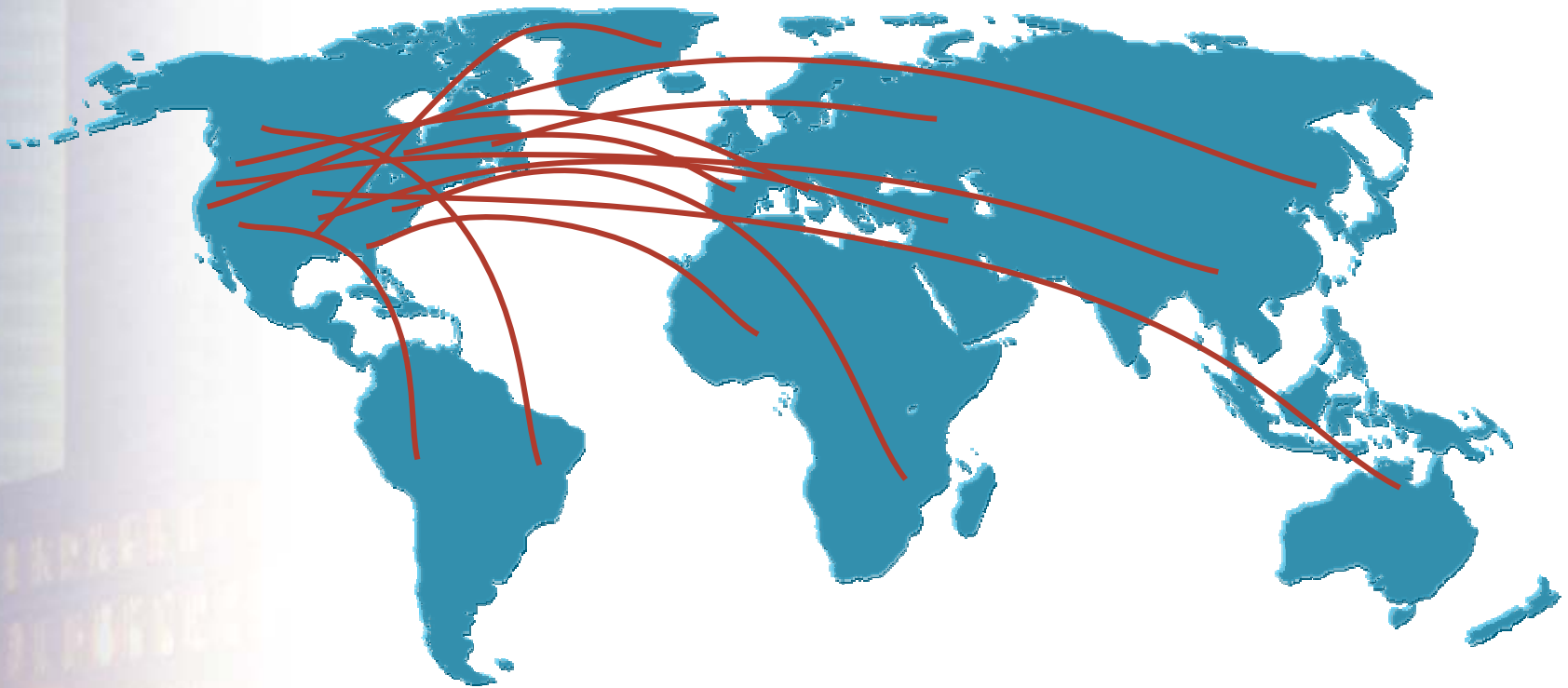
**BusinessWeek**

“Is your job next?”

– February 2003

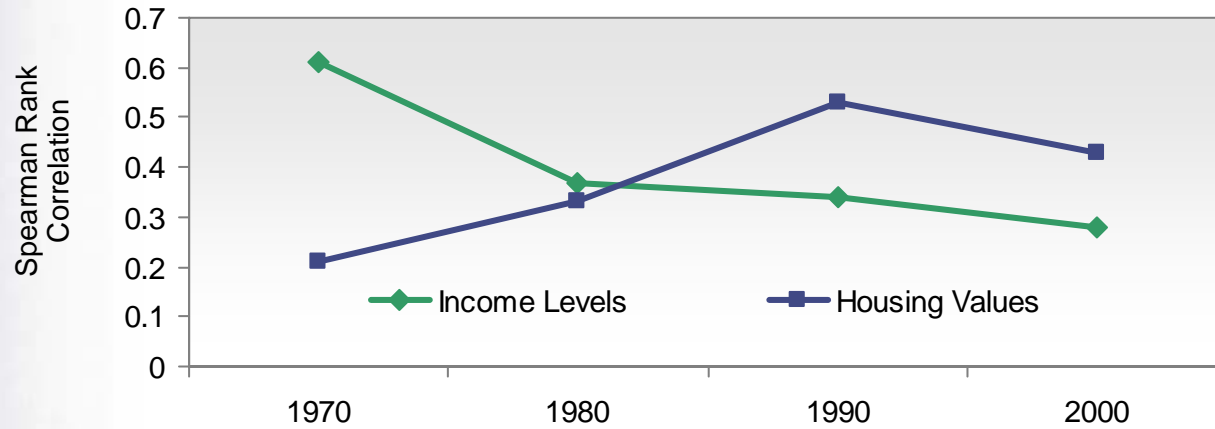
***Labor Markets Increasingly Operate on a Global Scale***

## 2nd Principle

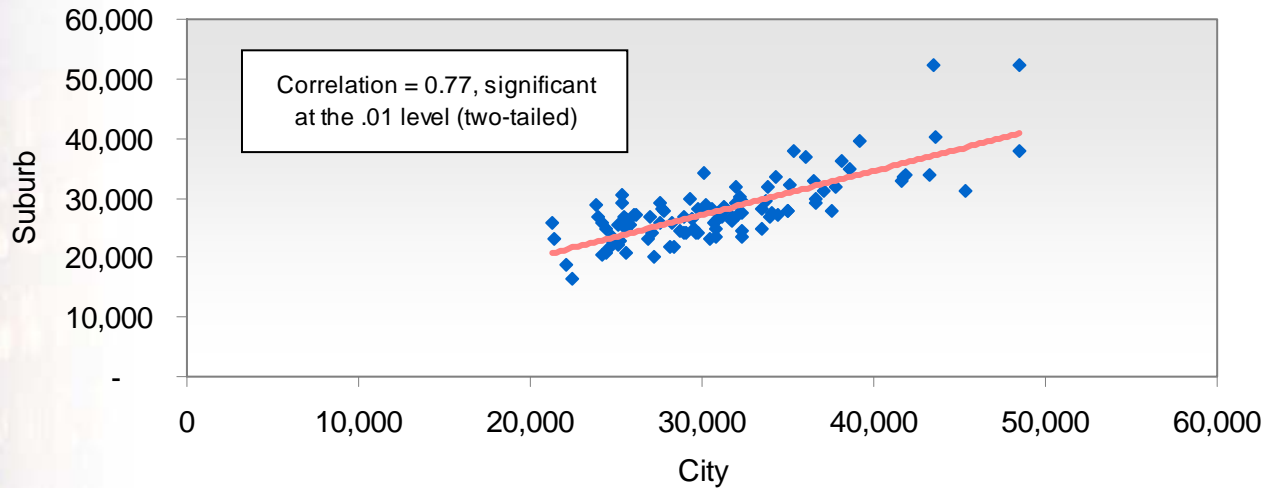


**Urban Policy Must Reflect that the Economy is Global**

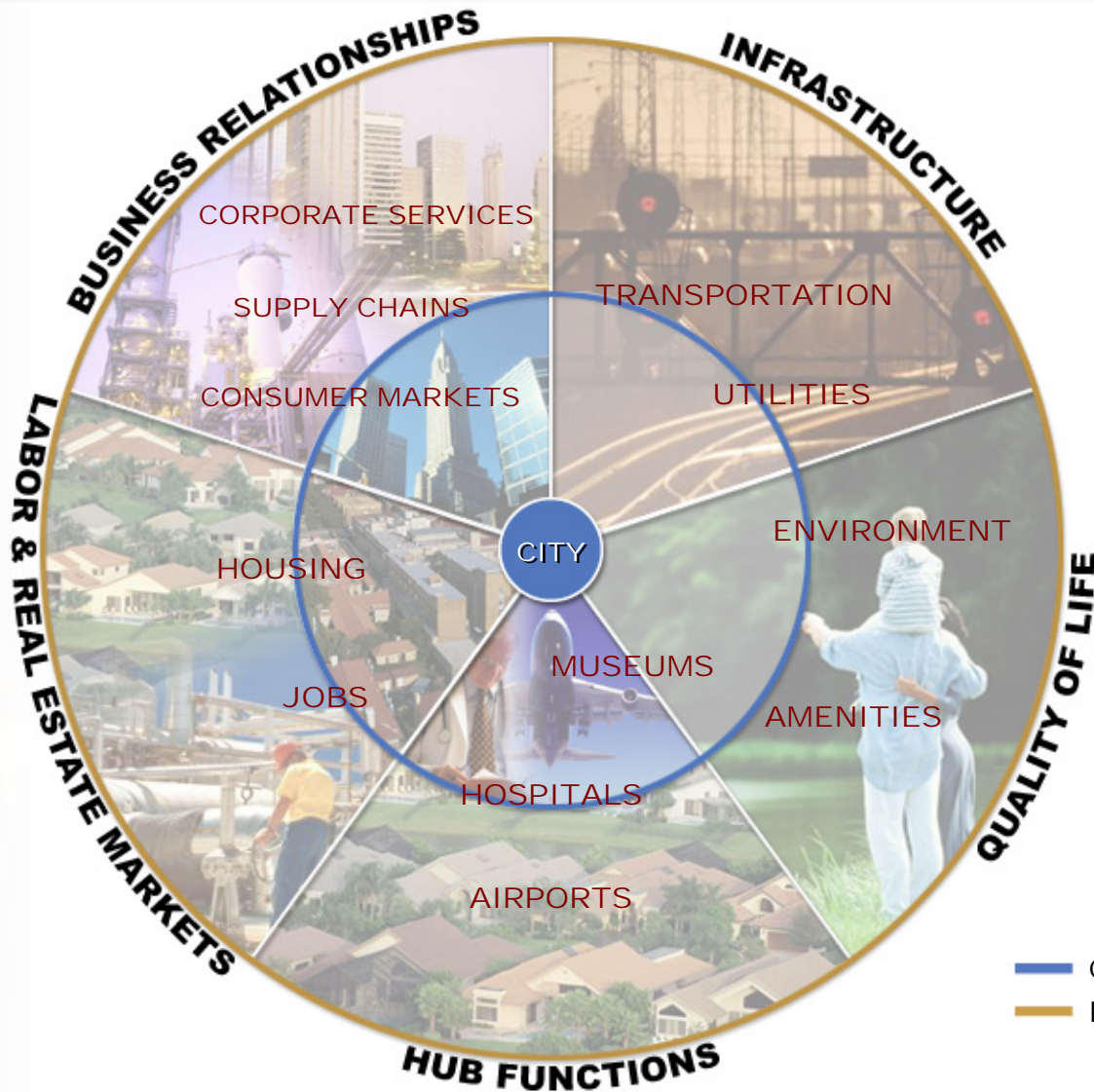
# Cities and Suburbs are Linked



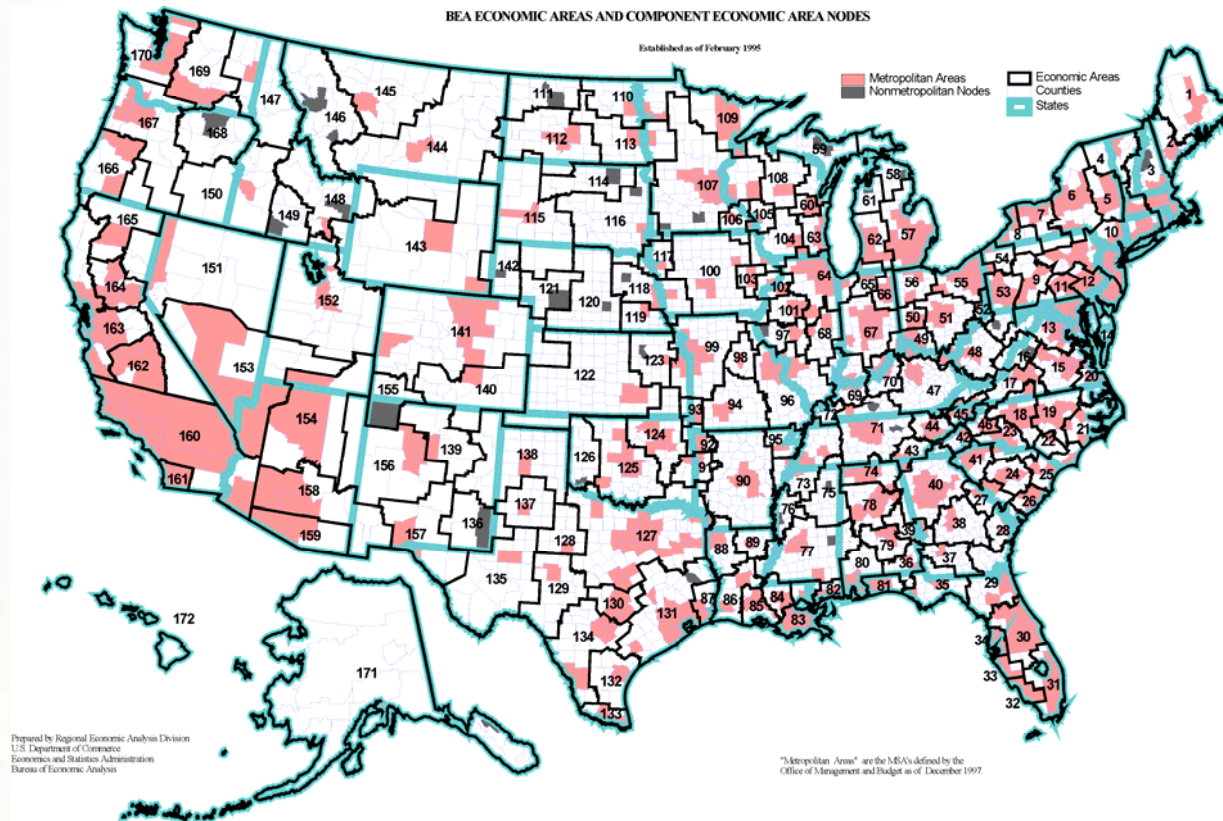
**Wages Move in Tandem**



# The Economy is Regional

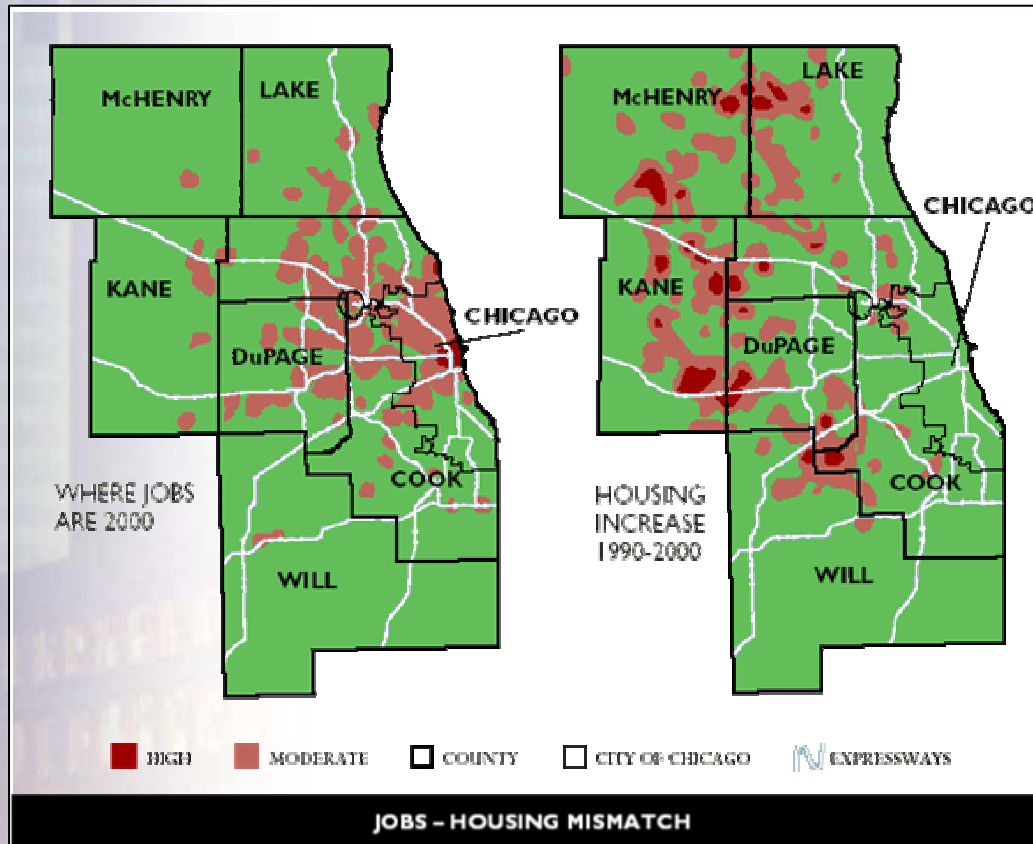


# 3rd Principle



## Urban Policy Must Be Regional

# Are Current Growth Patterns Efficient?

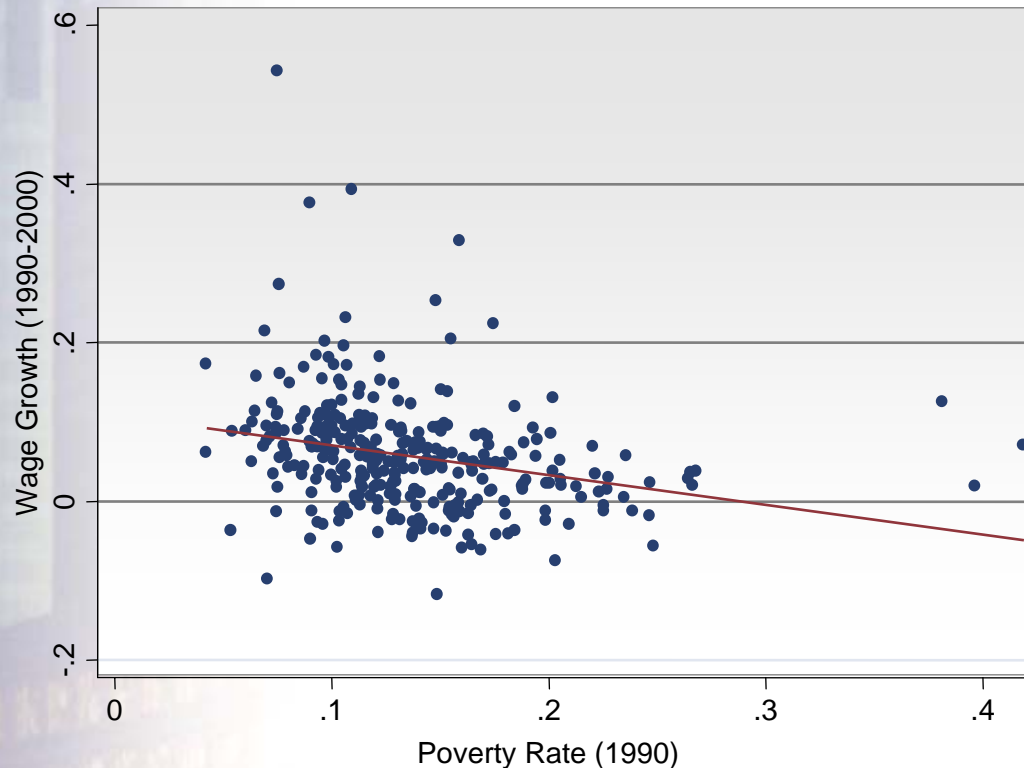


## Regional Economic Efficiency Requires:

- Taking Advantage of Density
- Building Livable Communities
- Aligning Components of the Economy (e.g. Reducing Jobs-Housing Mismatch)
- Efficient Regional Infrastructure

Source: Chicago Metropolis 2020

# Equity and Opportunity are Good for Business



## Changing Dynamics Findings:

- Inequality has negative effect on income growth
- Hispanic Segregation has a negative effect on income growth

***Regional Economic Efficiency Requires:***

- ***Using All Deployable Assets***
- ***Avoiding Costs of Concentrated Poverty***



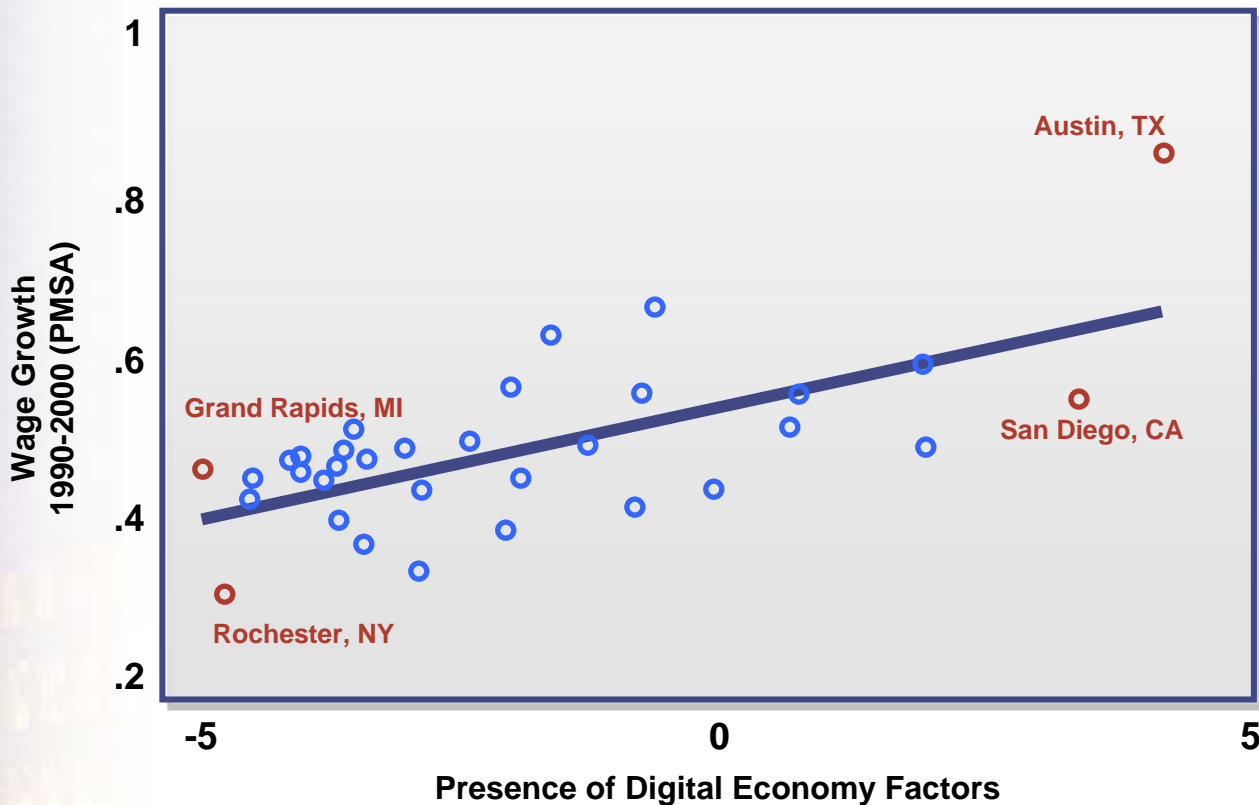
# 4th Principle



**An Efficient Regional Economy Uses all of its Assets and Organizes them Well**

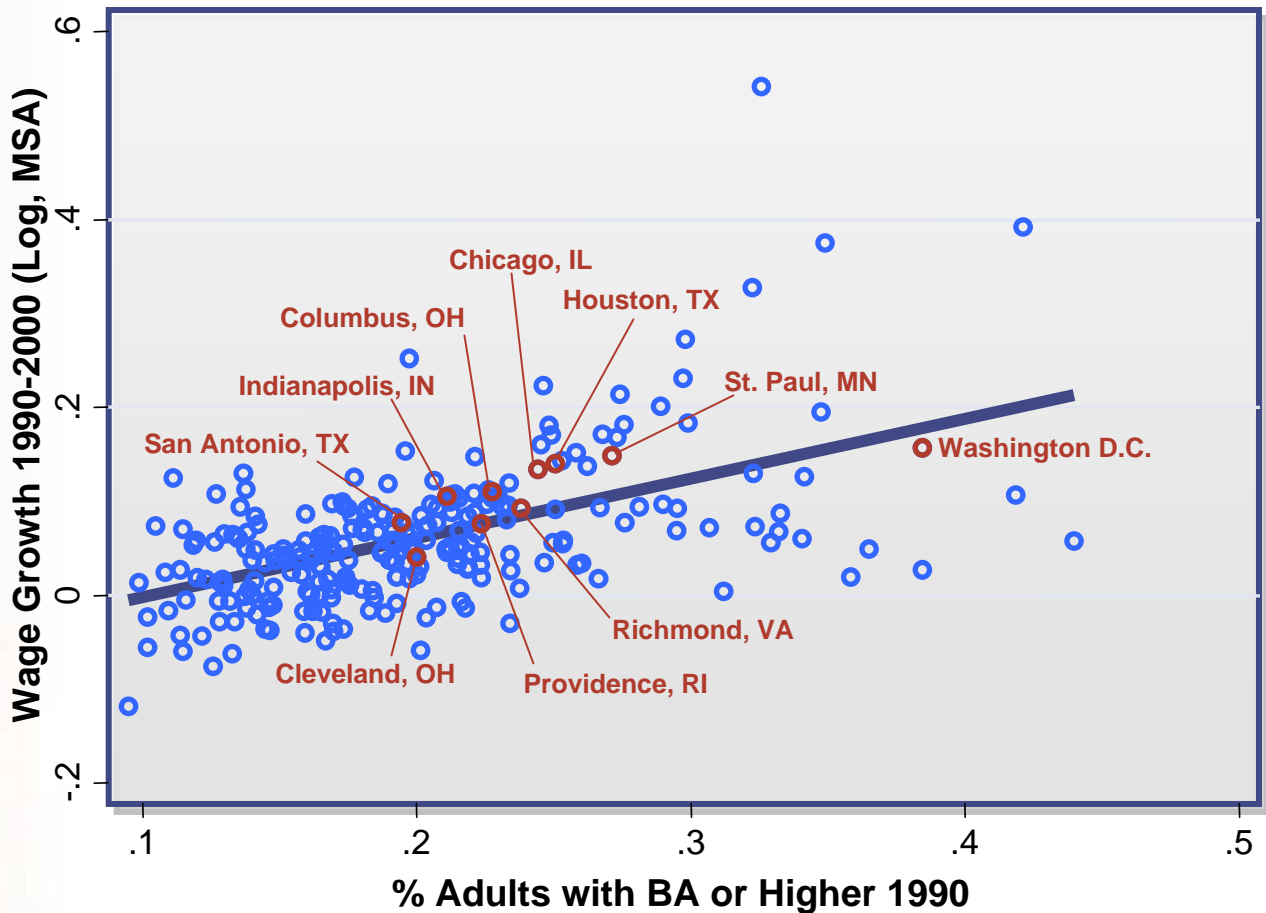
# The Role of Knowledge Factors is Increasing Throughout the Economy

## Wage Growth Increases with Digital Economy



*The Value of Output per Hour has Increased More than Ten-Fold Over the Last 100 Years*

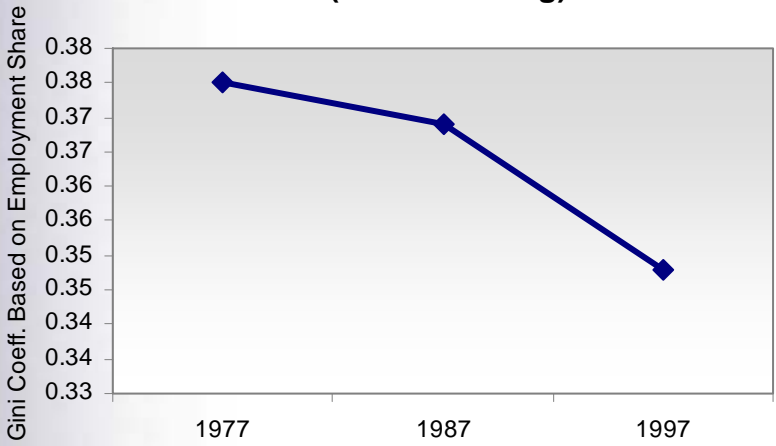
# The Importance of Education



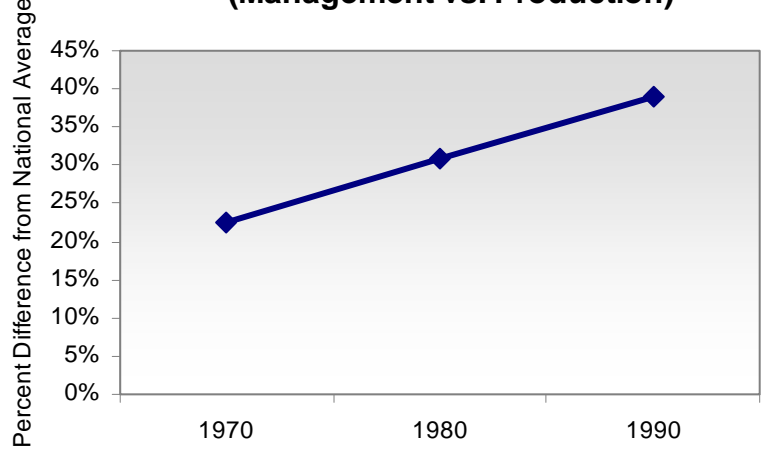
***College Education is the Biggest Driver of Economic Growth  
(and High School Alone is Barely Significant Anymore)***

# Functional and Occupational Concentrations are Increasingly Important

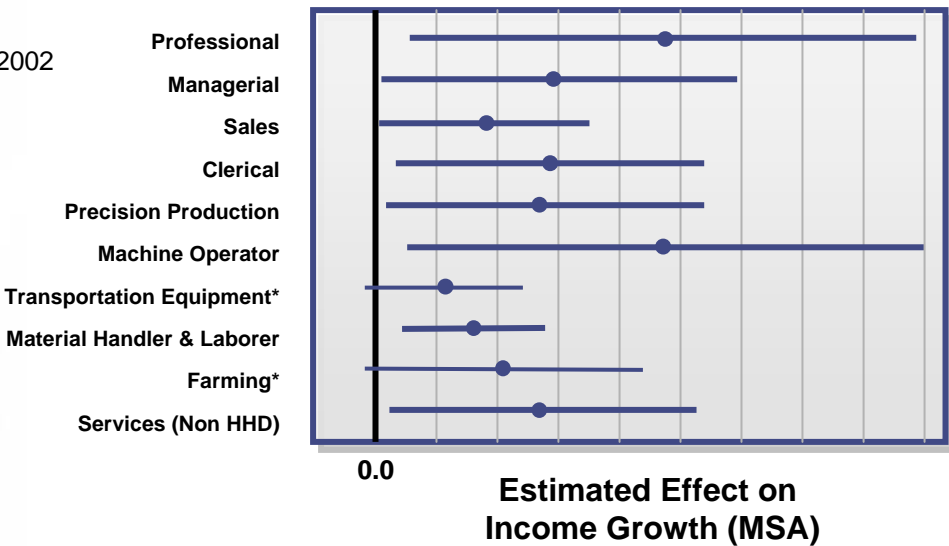
**Sectoral Specialization  
(Manufacturing)**



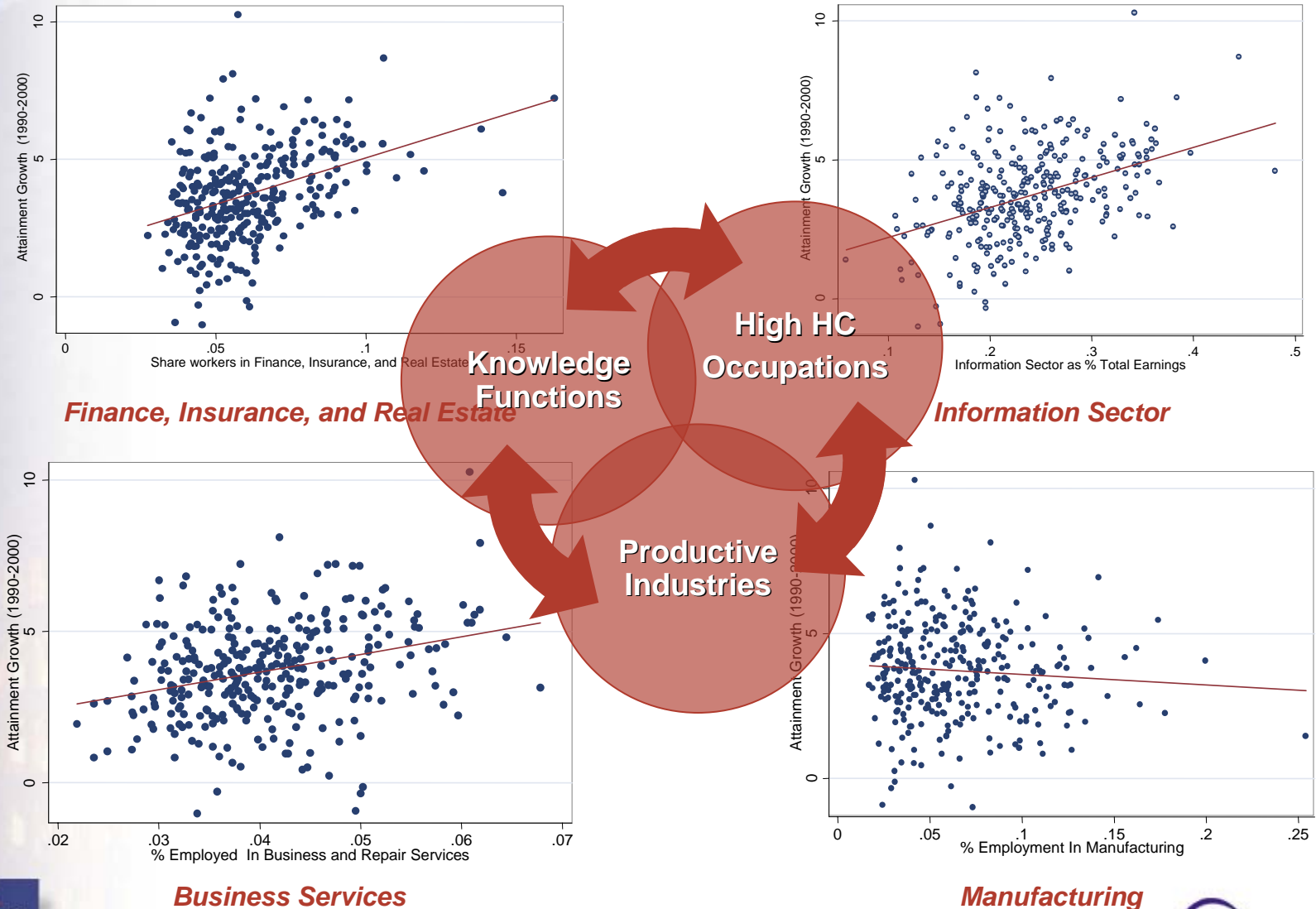
**Functional Specialization  
(Management vs. Production)**



MSAs with Pop > 5,000,000  
Source: Duranton and Puga 2002



# Knowledge Industries, Functions and Occupations Attract BAs and Drive Growth



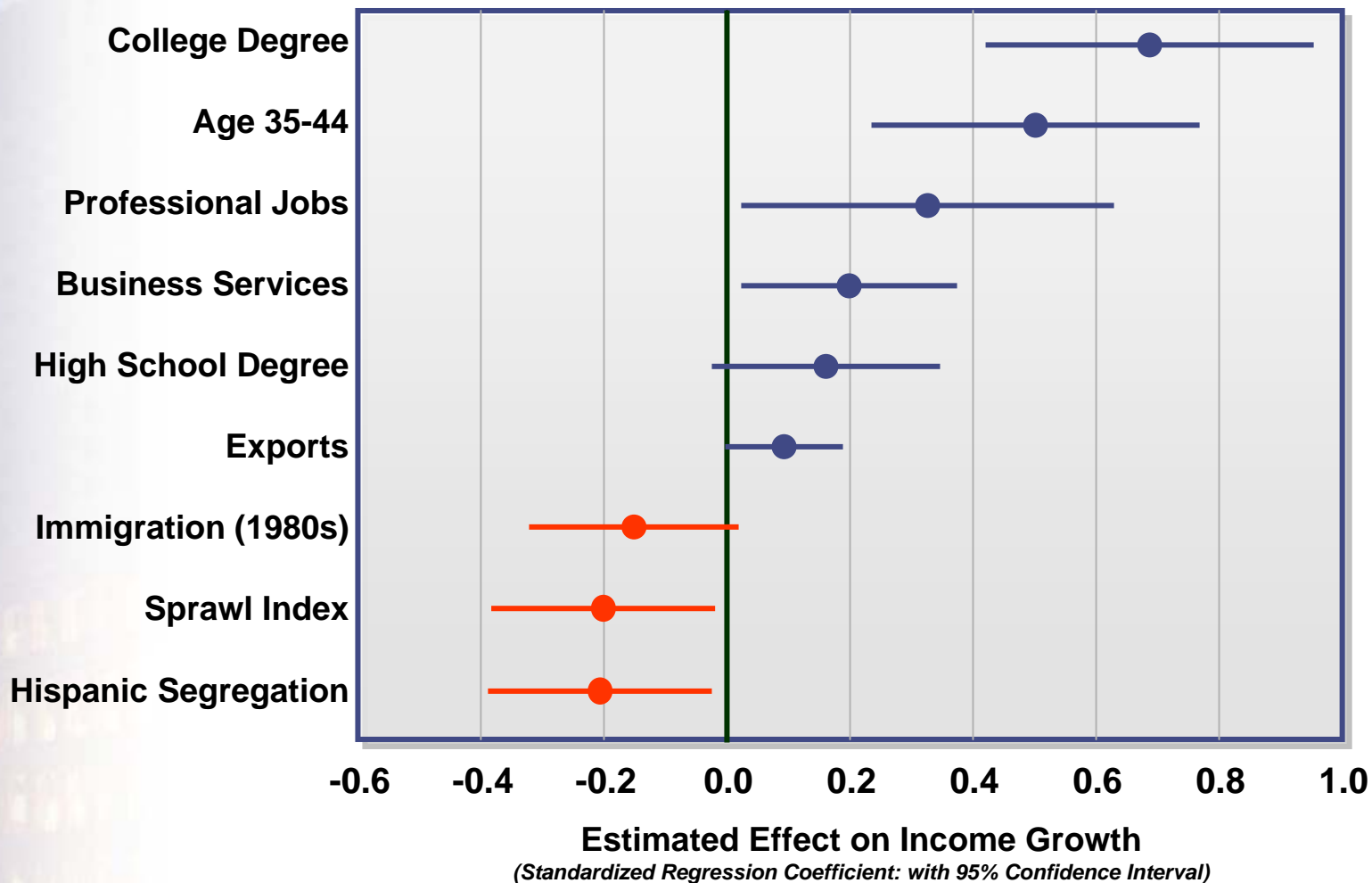
# 5th Principle

## Invest Wisely



**Create a Knowledge Intensive Economy**

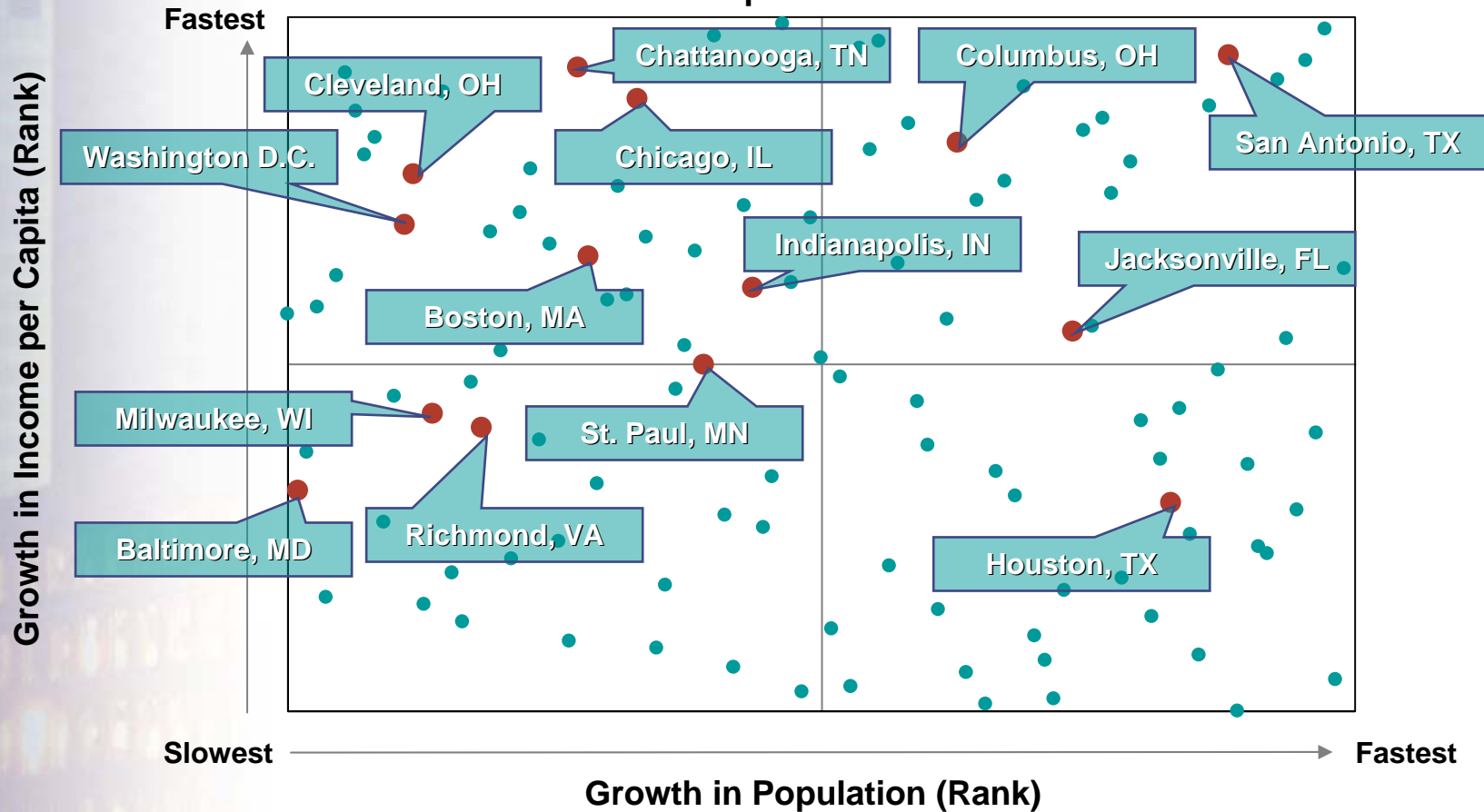
# Multiple Drivers of Success



***No Silver Bullet: Many Factors Matter***

# Varied City Types and Performance

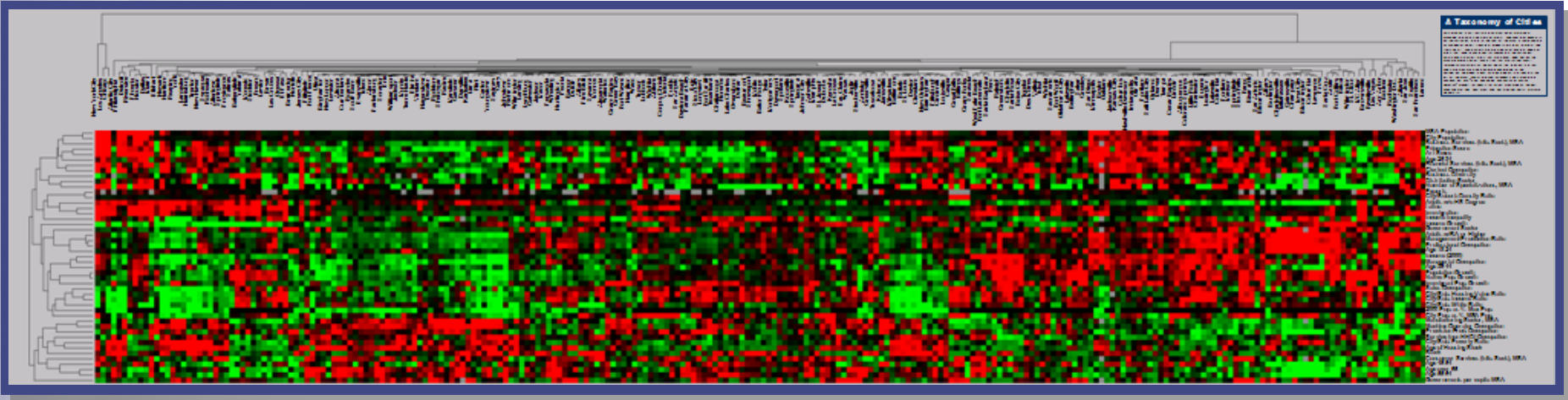
**Income Growth vs. Population Growth 1990-2000  
Top 110 Cities**



***Great Variation in City Economic Types, Paths, Outcomes***



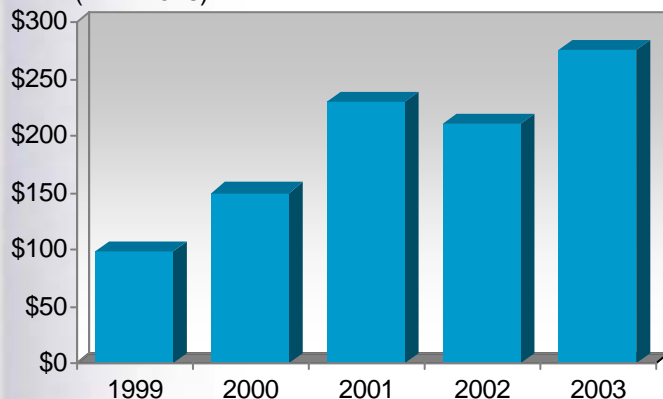
# 7th Principle



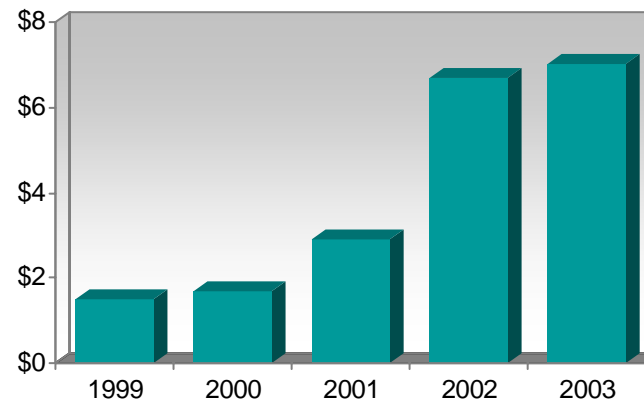
**Build on Your Unique Strengths**

# Learnings from the Field: the Business of Development

**Shorebank Corporation:  
Total Community Development Investment**  
(in millions)

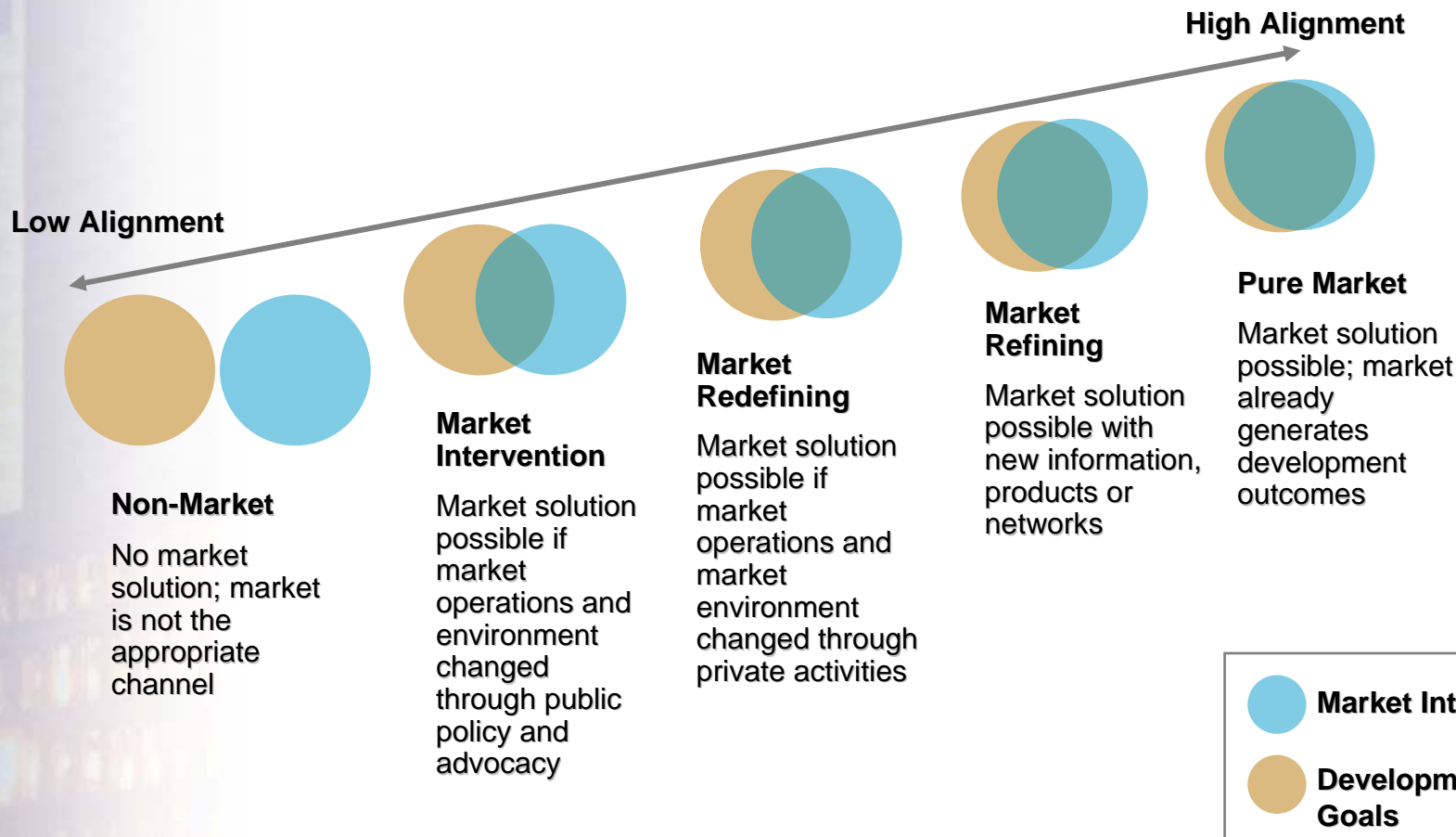


**ShoreBank Corporation: Net Income**  
(in millions)

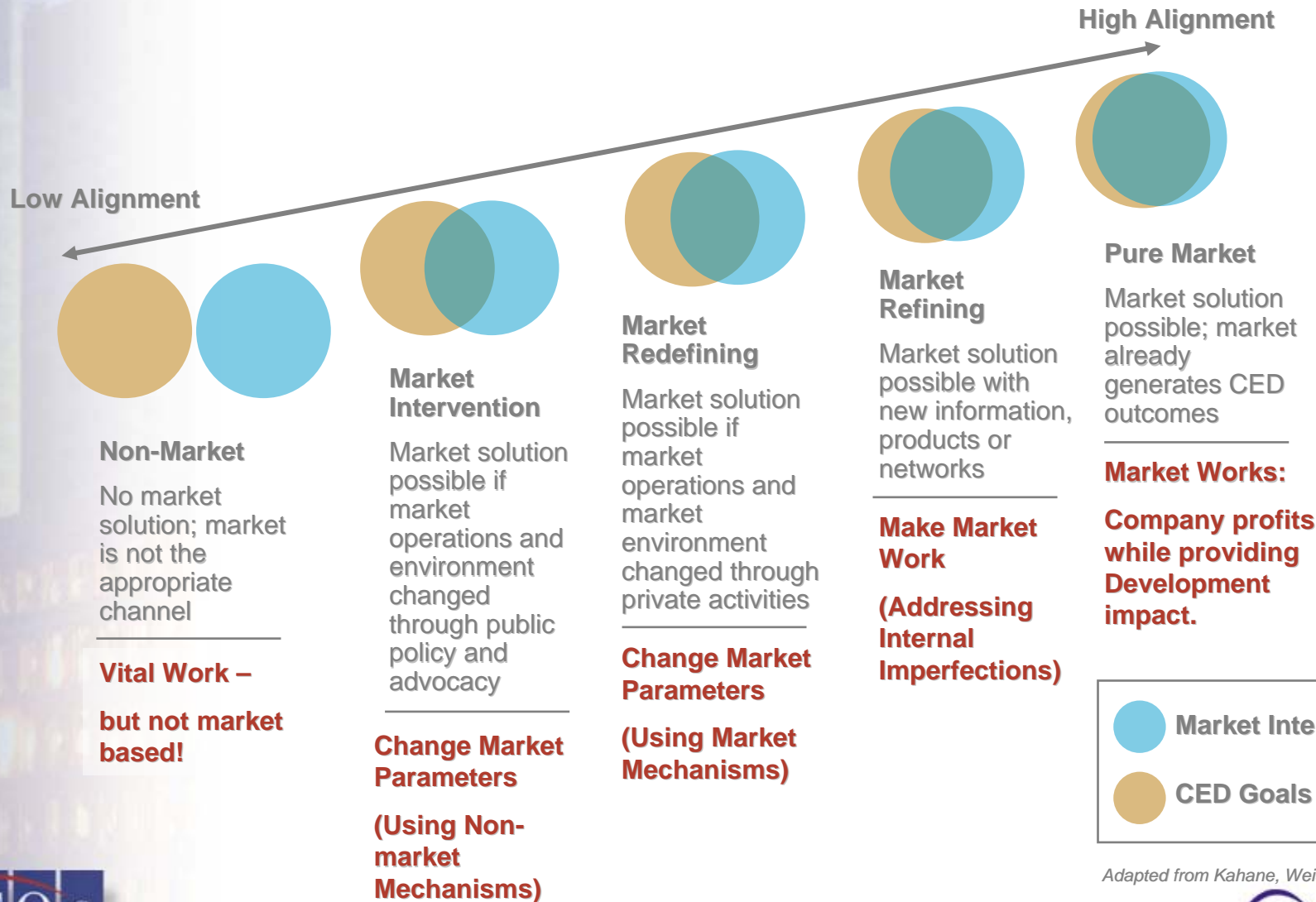


- **Widespread Success of CDFIs**
- **Effective Tax Credit Policies (EITC, LIHTC, NMTC)**
- **Annie E. Casey Foundation – from children to families to neighborhoods to economics...**

# Goals: Aligning Markets and Development



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Adapted from Kahane, Weiser, Ford CII

# 6th Principle

**In Our Economy, Markets are the Most Powerful  
Mechanism for Wealth Creation**



**Harness Market Forces**

## What Have We Learned?

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- 1. National Policy = Urban Policy**
- 2. Urban Policy must Reflect that the Economy is Global**
- 3. Urban Policy must be Regional** (the region is the economic unit that performs in the global economy)
- 4. An Efficient Regional Economy Uses all of its Assets and Organizes them Well**
- 5. Invest Wisely -- Create a Knowledge-Intensive Economy**
- 6. Harness Market Forces**
- 7. Build on Your Unique Strengths**

# Agenda

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What Have We Learned?

**Implications for Policy and Practice**

Organizational Implications

Comments and Discussion

# 1. National Policy = Urban Policy

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- **Strategy 1.1: Strengthen Urban Economies to Strengthen the Nation**
- **Policies and Programs:**
  - See, Everything under the other Principles
- **Strategy 1.2: Focus on the Urban Economic Effects of National Policies**
- **Policies and Programs:**
  - Tailor immigration policy to local labor force needs;
  - Health care;
  - Banking regulation (e.g. CRA)
  - Transportation.



## 2. Urban Policy Must Reflect that the Economy is Global

- **Strategy 2.1: Enable Regions to Compete in Global Economy**
- **Policies and Programs:**
  - Strengthen infrastructure for participation in global economy;
  - Identify and support your niches in the global economy;
  - Leverage international linkages and FDI (e.g. Seattle Trade Development Alliance)
- **Strategy 2.2: Reap Long-Term Benefits of Offshoring While Addressing Short-Term Costs**
- **Policies and Programs:**
  - Focus on job retraining and education;
  - Foster entrepreneurship;
  - Invest in innovation

### 3. Urban Policy Must Be Regional

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- **Strategy 3.1: Support Regional Infrastructure, Integration and Planning**
- **Policies and Programs:**
  - City-suburb partnerships, particularly aimed at managing growth patterns (e.g. Metro regional government in Portland);
  - States limiting government fragmentation and consolidating land use and zoning powers;
  - State and federal governments encouraging cooperation among jurisdictions

[See Strategy 4 and related Policies and Programs as well.]

## 4. An Efficient Regional Economy Uses All of its Assets and Organizes Them Well

- **Strategy 4.1: Deploy Human Capital, Take Advantage of Diversity**
- **Policies and Programs:**
  - Workforce Development;
  - Regional Housing and Transportation Planning (Chicago Metropolis 2020);
  - ESL Classes and Targeted Workforce Development for Immigrant Population;
  - Reduce cost of healthcare
- **Strategy 4.2: Reduce Negative Effects of Concentrated Poverty**
- **Policies and Programs:**
  - Financial Education and IDAs
  - Earned Income Tax Credit;
  - Affordable Housing and Mixed-Income Communities (HOPE VI, Sec. 8, LIHTC)
- **Strategy 4.3: Promote Regional Economic Efficiency**
- **Policies and Programs:**
  - “Fix it first” transportation policy (Maryland)
  - Correct State and Federal Policies that Favor Sprawl
  - Downtown Revitalization (e.g. Central Philadelphia Dev. Corp; Denver Downtown Housing Office)
  - Asset-Based, rather than Deficiency-Based, Community Economic Development

## 5. Invest Wisely -- Create a Knowledge-Intensive Economy

- **Strategy 5.1: Focus on Innovation and Commercialization of Knowledge**
- **Policies and Programs:**
  - R&D tax credit;
  - University-industry partnerships (e.g. Research Triangle Park);
  - Industry Innovation Initiatives (e.g. Innovation @ Scale in Rhode Island, Bay Area Science and Innovation Consortium);
  - Investment in Business Incubators;
  - Incentives for Start Up and Academic Inventors.
- **Strategy 5.2: Invest in Knowledge Functions, Industries and Occupations**
- **Policies and Programs:**
  - Identify and build on your unique concentration of human capital-intensive industries and occupations
  - Look beyond industry clusters

## 5. Invest Wisely to Create a Knowledge-Intensive Economy

- **Strategy 5.3: Invest in Education, at All Levels**
- **Policies and Programs:**
  - School finance reform -- Make education system more equitable by revising school funding (e.g. move away from property tax system);
  - Charter/small schools;
  - Teacher quality and compensation;
  - Improve job market connections (e.g. KIP in Philadelphia, Summer of Cuyahoga in Cleveland);
  - Early childhood and family support.
  - Attract BAs through investment in the economy, not just quality of life.

## 6. Harness Market Forces

- **Strategy 6.1: Use Government as Market Enabler**
- **Policies and Programs:**
  - Focus direct interventions on areas where markets can't work;
  - Provide the market preconditions of infrastructure and human capital (health and education)
  - Supplement – don't supplant – the market where possible: EITC, LIHTC, and New Markets Tax Credit
  - Support CDFIs;
  - Gather and release critical information that can improve market operations in urban areas (e.g. American Community Survey);
  - Increase government efficiency (e.g. e-government, inter-agency cooperation).

## 7. Build on Your Unique Strengths

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- **Strategy 7.1: Build on Overlap of Local Assets, Economic Drivers and Geographic Connections**
- **Policies and Programs:**
  - Increase availability of flexible funding sources (e.g. CDBG)
  - Develop more targeted economic investment programs to support varying economic functional concentrations;
  - Take into account different roles cities play in the context of regional and global economy.
  - Focus here should be first on practice, not policy.





# Agenda

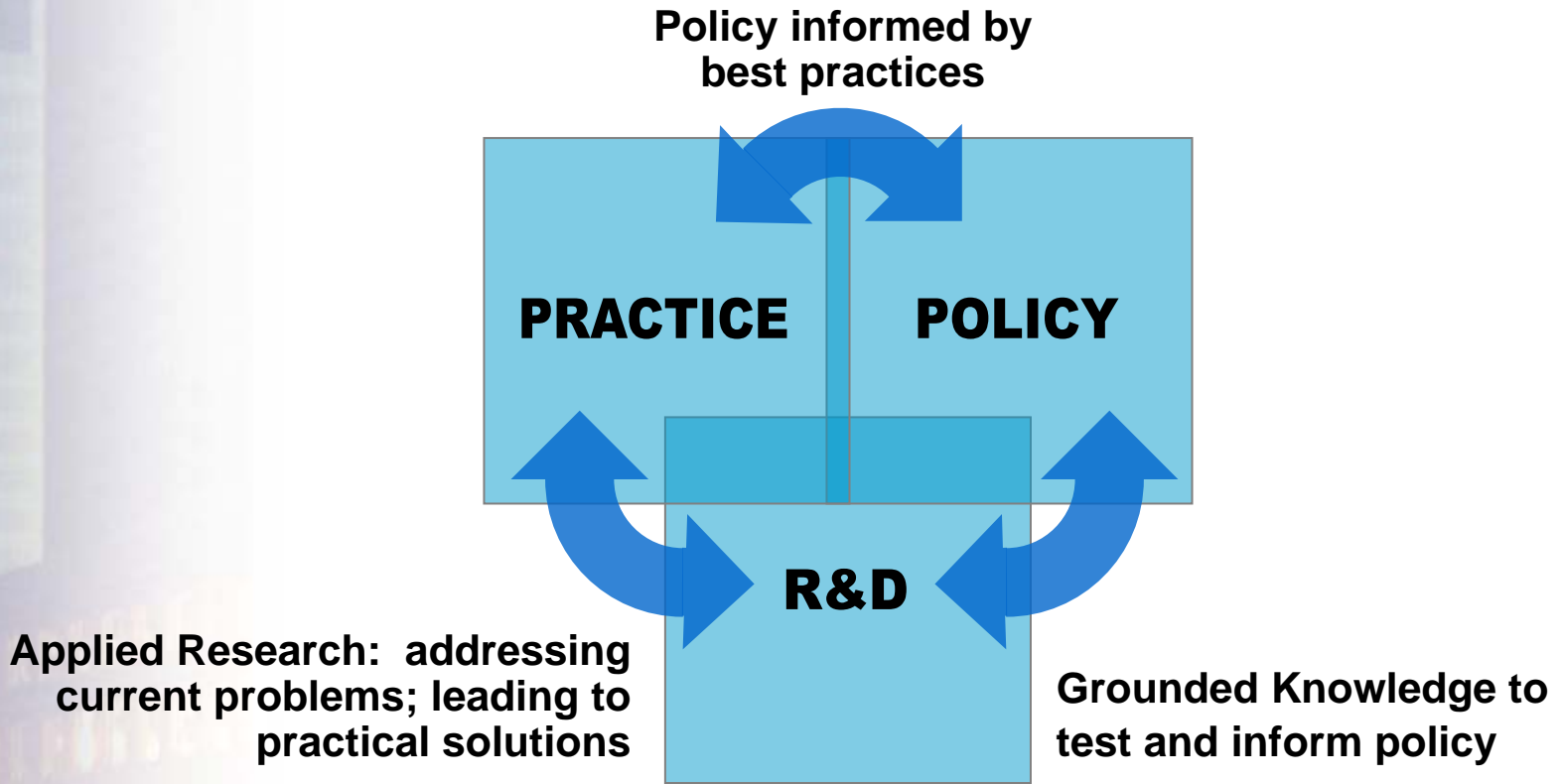
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## Organizational Implications

“It is one of the happy incidents of the federal system that one courageous State may ... serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country”

*- Supreme Court Justice Louis Brandeis,  
quoted in Osbourne, Laboratories of Democracy*

# The Unique CEOs for Cities Lens



## Three Priority Areas of Focus

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- **R&D: Value Added Economic Strategies**
- **Practice: “Clinical Economics” (Sachs)**
- **Policy: Build Majority Coalition**

# Value Added Economic Strategies

- **Compete on Value, not Costs – not zero sum game**
- **CEOs' Focus: Best Practices for Prosperity in the Knowledge Economy:**
  - Education, at all levels
  - Regional Efficiency Strategies
  - Knowledge-Intensive Occupational and Functional Concentrations
  - Commercialization of Knowledge, Entrepreneurship and Innovation

# "Clinical Economics"

## Sophisticated, Targeted Diagnostic Tools

### National Research

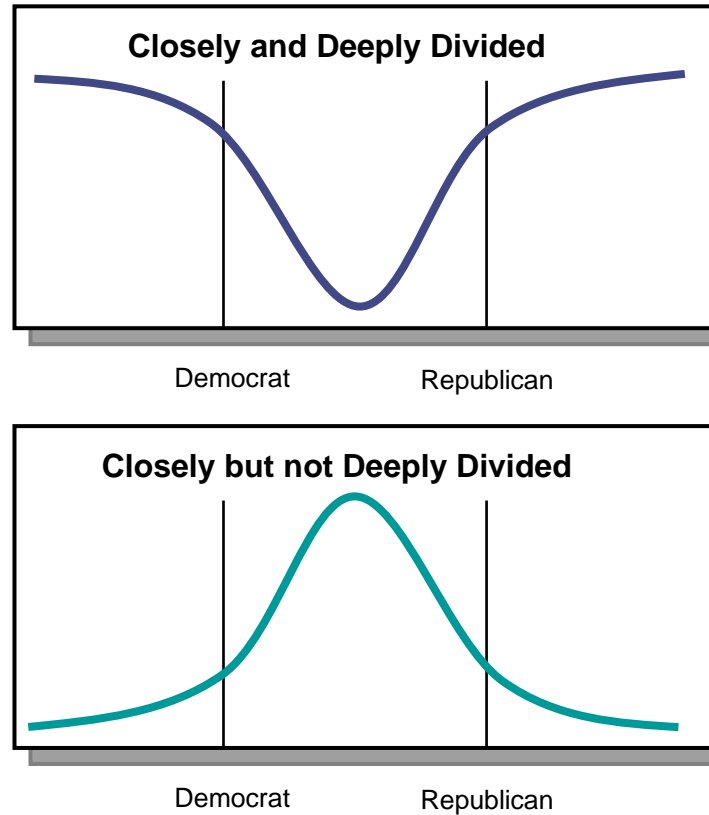
- Cities Survey
- Urban System Design
- City-Suburb Linkages
- ....

### Local Services

- Metro Audit
- Industry by Occ. Analysis
- Customized Typologies
- ....

## Customized Products and Solutions

# Making Policy Happen



Source: Morris Fiorina, "Culture War?"

***Build Majority Coalition Around Urban  
Agenda for State and Federal Policy Reform***

# Agenda

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