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

Annual Meeting
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Agenda

What Have We Learned?

Implications for Policy and Practice

Organizational Implications

Comments and Discussion
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
Cities are Even More Important in the Global, Knowledge Economy

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

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.

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

National Policy = Urban Policy
(and vice-versa)

Adapted from Gastner, Shalizi and Newman, University of Michigan
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 $)

Cost of a 3 Minute Phone Call from NY to London

The World is Smaller – Markets are Transnational

Source: BEA

Source: Paul Masson, 2001
Markets Are Specializing Across Countries

Sawhney on Outsourcing: Is The Sky Falling?

- 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

Labor Markets Increasingly Operate on a Global Scale
2nd Principle

Urban Policy Must Reflect that the Economy is Global
Cities and Suburbs are Linked

Spearman Rank Correlation

Income Levels
Housing Values

Wages Move in Tandem

Correlation = 0.77, significant at the .01 level (two-tailed)
The Economy is Regional

Geography of the New Economy

CITY
REGIONAL ECONOMY
ENVIRONMENT
AMENITIES
UTILITIES
TRANSPORTATION
HOSPITALS
AIRPORTS
HOUSING
JOBS
CORPORATE SERVICES
SUPPLY CHAINS
CONSUMER MARKETS
MUSEUMS
CONSUMER MARKETS
LABOR & REAL ESTATE MARKETS
HUB FUNCTIONS
INFRASTRUCTURE
QUALITY OF LIFE

CITY
REGIONAL ECONOMY
3rd Principle

Urban Policy Must Be Regional
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)

- Gini Coeff. Based on Employment Share
  - 1977: 0.33
  - 1987: 0.34
  - 1997: 0.35

Functional Specialization (Management vs. Production)

- Percent Difference from National Average
  - 1970: 0%
  - 1980: 5%
  - 1990: 10%

Drivers of the New Economy

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

Estimated Effect on Income Growth (MSA)

Professional, Managerial, Sales, Clerical, Precision Production, Machine Operator, Transportation Equipment*, Material Handler & Laborer, Farming*, Services (Non HHD)
Knowledge Industries, Functions and Occupations Attract BAs and Drive Growth

- **Information Sector**
- **Finance, Insurance, and Real Estate**
- **Manufacturing**
- **Business Services**

Drivers of the New Economy

- **Knowledge Functions**
- **High HC Occupations**
- **Productive Industries**

CEOs for Cities

RwVentures
5th Principle

Invest Wisely

Create a Knowledge Intensive Economy
Multiple Drivers of Success

No Silver Bullet: Many Factors Matter

Drivers of the New Economy

Estimated Effect on Income Growth
(Standardized Regression Coefficient: with 95% Confidence Interval)
Varied City Types and Performance

Top 110 Cities

Great Variation in City Economic Types, Paths, Outcomes
Drivers of the New Economy

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

- **Low Alignment**
  - **Non-Market**
    - No market solution; market is not the appropriate channel
  - **Market Intervention**
    - Market solution possible if market operations and environment changed through public policy and advocacy

- **High Alignment**
  - **Market Refining**
    - Market solution possible with new information, products or networks
  - **Pure Market**
    - Market solution possible; market already generates development outcomes

Adapted from Kahane / Weiser/Ford CII
Goals: Aligning Markets and Development

Low Alignment

Non-Market
No market solution; market is not the appropriate channel

Vital Work – but not market based!

Market Intervention
Market solution possible if market operations and environment changed through public policy and advocacy

Market Refining
Market solution possible with new information, products or networks

Market Redefining
Market solution possible if market operations and environment changed through private activities

Change Market Parameters
(Using Market Mechanisms)

Pure Market
Market solution possible; market already generates CED outcomes

High Alignment

Market Interests

CED Goals

Market Works:
Company profits while providing Development impact.

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?

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

What Have We Learned?

Implications for Policy and Practice

Organizational Implications

Comments and Discussion
1. National Policy = Urban Policy

• 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

- **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

- **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.
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

Policy informed by best practices

Applied Research: addressing current problems; leading to practical solutions

Grounded Knowledge to test and inform policy
Three Priority Areas of Focus

- **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

Closely and Deeply Divided

Source: Morris Fiorina, “Culture War?”

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