Urban Entrepreneurialism and National Economic Growth

While debate continues to rage about many aspects of our Nation's social policies, there is clear consensus on one point—that all of our hopes for the future rest on a healthy economy.[1] When America's economy fails to grow dynamically and fails to create more and better jobs along the way, there is little public programs can do to prevent increasing poverty and diminishing opportunities for our aspiring middle class.

Traditionally, when we think about strengthening our national economy, analysis and debate focus on action at the national level and how players in Washington ought to adjust national monetary, fiscal, and trade policies. In this essay, I argue that in today's highly competitive global market this perspective is insufficient.

I believe we must give more attention to creating economic dynamism at the local and regional levels. America's economy is made up of a diverse mix of local economies. One way we can think about this is that our gross national product (GNP) is the sum of regional GNPs. Some of these economies are doing well and some are struggling. Local policies and initiatives that are highly effective in some prove to be quite inappropriate for others.

There are limits to how local and regional economies can change themselves. Powerful national and international market forces have an extraordinary influence on their potential. But that influence does not mean that local and regional leaders must simply sit back and await their market-determined fate. To the contrary; what I find most exciting today is that local leaders in many regions have learned how they can turn market forces to their advantage and aggressively develop their economies using that knowledge. But first they must understand how those forces work.

We need to pay attention to these local experiments and the idea underlying them. They, as much as or possibly more than national policies, will determine whether our economy prospers and what we will achieve as a Nation.

America's Economy As a Common Market of Local Economic Regions

The U.S. economy is predominantly a metropolitan economy.[2] Today, 8 of 10 Americans live in metropolitan areas, and these areas account for 83 percent of our national income and nearly all the employment in advanced technical and service sectors. More than one-half of the U.S. population lives in metropolitan areas with populations of 1 million or more.

Metropolitan economies are strongly tied to the regions that surround them, in complex patterns of mutual interdependence. Having developed at different times and in different ways, these regions have very different characteristics. Vernon Henderson's work has pointed out the powerful benefits of industrial specialization that exist in different metropolitan settings. The heritage of these specializations has a long-lasting influence on a region's economic potential (Henderson, 1994).

This metropolitan-centered framework helps us understand the reality of economic activity in the United States today. We have become accustomed to thinking of our country as relatively homogeneous, with every region and community rising or falling depending on what happens nationally. But today's realities of regional specialization and market niches are forcing us to become more aware of and sensitive to our country's differences.

Some researchers have suggested that America's economy should now be seen as a common market of metropolitan-based local economic regions (Barnes and Ledebur, 1994). These regions are indeed strongly interdependent, but they also compete with one another and with the rest of the world. Policies that treat them as uniform risk being seriously distorted in their intended effects.

What Local/Regional Economic Development Ought To Be About

Over the past 15 years, a sea change has emerged in the philosophy and practice of local economic development. It is not too much of a caricature to say that throughout the 1970s the phrase did not mean much more than fragmented efforts by communities to entice new industries to locate in their area. America's cities were embroiled in a game of stealing seemingly attractive industries from one another with questionable subsidies and other techniques. This practice was a zero-sum game, yielding no net gain in national economic well-being.

As major structural change in our economy (losses in manufacturing employment and gains in services) began to accelerate late in that decade, local policy responses were typically reactive. The actions of local businesses, including lobbying Washington for help, were aimed mostly at preventing change and trying to restore the positive and relatively stable economic environment that had existed since the end of World War II.

Since that time, local approaches to economic development have changed dramatically. To be sure, some areas are working more aggressively than others, but local leaders now generally endorse three new themes.

The first recognizes that local economies need to adapt to external market forces that cannot be reversed and that there is a role for local public policy in facilitating that change effectively. Communities using this approach examine their region's heritage—its comparative advantages—in light of national and international market trends and then develop a strategic vision to guide realistic development. They emphasize retaining existing entrepreneurs and helping them to expand locally, rather than relying only on new firms from other regions to spur growth. But even here, their focus is on helping these entrepreneurs change and adapt to new market realities rather than on subsidizing the longevity of their old product mix.

A second theme understands that economic development must include a host of actions to enhance background conditions so that an area will be seen as a good place to do business. This means lowering operating costs, reducing unreasonable regulatory burdens, and, in particular, implementing human resource policies that create and maintain a highly skilled labor force.

Finally, a third theme recognizes the value of forming active public-private leadership coalitions to guide and promote local economic development and actively seeks inclusiveness and collaboration. Today the boards of metropolitan leadership groups are likely to include representatives of inner-city community development corporations and community foundations, as well as chief executive officers of large corporations and city officials.

Identifying and Building on Comparative Advantages

Adapting to change does not mean simply "going with the flow." International market trends close some doors—it is not productive to try to recreate the industrial economy of old—but also create new opportunities. Communities must be proactive to take advantage of them. But depending on where and who you are, remaining competitive in the changing global economy may require dramatic restructuring.

Principles of the approach. This context puts more emphasis on analysis to better understand not only trends in global markets, but, more important, to better understand local comparative advantages in light of those trends and ways to build on them. Michael Porter describes these advantages as "essential attributes of a region that underpin the ability of firms based there to compete in a particular field … competitiveness emerges out of unique local conditions, and occurs in businesses where a region can create areas of specialization (Porter, 1995)."

In most cases, finding these advantages means identifying and facilitating promising clusters of local economic activity—interrelated manufacturing and service subsectors that together exhibit competitive strength in meeting some growing segment of global market demand. Porter notes that "general business inputs, such as cheap labor, low cost real estate, or basic infrastructure, are no longer a stable advantage in modern competition because they are so widely available." Clusters, on the other hand, "represent critical masses of skill, information, relationships, and infrastructure in a location relating to a particular field that become self-reinforcing.… In successful clusters, there are often several competitors in each business who push each other to improve products and processes."

All of this has special resonance for me. I lived through an experience that showed me quite vividly why local leaders must think and act this way. When I was mayor of San Antonio, we took a hard look at our metropolitan economy and found that its future prosperity was vulnerable. Although the region had a lot going for it, San Antonio was much too dependent on jobs provided directly and indirectly by local military bases. The region was forced to look for alternatives, and we found them in diverse sectors of its economy. For example, we discovered an emerging medical-biological sciences cluster and found ways to expedite its development. We looked outside our boundaries, recognized new development opportunities in the corridor linking San Antonio and Austin, and began to market them aggressively.

There are many other interesting examples of building on regional advantages from all parts of the country. Below, I review three of them in depth, because they illustrate themes of special importance. Other examples are then noted more briefly.

The Research Triangle: Something from nothing.[3] At the midpoint of this century, North Carolina's industrial base relied on three key industries—tobacco, textiles, and furniture—and market prospects appeared bleak for all of them. The State had an unusually strong and creative group of leaders who were committed to erasing North Carolina's poverty and low level of education. They felt they had to modernize their industrial mix to do so and were aware that many of America's most promising industries depended on linkages to research capacity. In response, they sent missions to other cities to learn how such linkages operated and were developed.

North Carolina's leaders came upon the idea of developing a huge triangular research park, bounded roughly by the State's three major universities: the University of North Carolina in Chapel Hill, Duke University in Durham, and North Carolina State University in Raleigh. Their strategy was to find companies that wanted to expand their research into fields in which these universities had special strengths, particularly in chemistry, electronics, and pharmaceuticals. Governor Luther Hodges set up a committee to implement this strategy in 1955 and devoted considerable personal attention to supporting it.

The committee raised a mix of public and private funds for the venture, began to discreetly buy vacant land in the area, and sent teams of "academic salesmen" from the universities to visit relevant industries across the country in the hope of inducing them to set up new plants in the Triangle. In 1958 the institutional structure was clarified. There would be three related organizations: a foundation (owned by the universities, with profits reverting to them), a park (a profit-making subsidiary that would sell land to private for-profit companies), and a new nonprofit research institute.

The process of development was neither smooth nor automatic, almost falling apart at several points. Nonetheless, it slowly built into an internationally recognized success. Throughout the process, a group of public- and private-sector leaders strongly supported its development despite a number of changes in membership over the years. One of its most important members, Terry Sanford, became Governor in 1960 and was responsible for a vast expansion of the technical training capacity of the State's community colleges.

Initially, the greatest commercial interest in the Triangle was in textile fiber research. The first company to locate in the park was Chemstrand, a subsidiary of Monsanto, in 1960. Development in leading high-technology sectors soon followed. A computer component manufacturer, Technitrol, set up shop in the park in 1965, and IBM located a sizable facility there a year later. In addition to private firms, the development also attracted several government research laboratories.

The Triangle had 16 facilities in 1970, and by 1980 the total had reached 32. By the early 1980s, the Research Triangle Institute had become one of the major nonprofit research institutions in the country, with 1,100 employees and strong links to the three surrounding universities. At that point the development supported 20,000 employees whose annual salaries totalled almost one-half billion dollars. Venture capitalists have since been attracted to the area's surrounding communities.

To be sure, the Triangle has not transformed the economy of North Carolina as a whole, but the State now has a strong professional class and attractive communities that are regarded as a powerful base for an even more promising future. The development has been a model for other States attempting to stimulate regional growth.

Probably the most important lesson of North Carolina's experience is the longstanding commitment of the State's public- and private-sector leaders to making the Triangle happen. They devised a structure of incentives at the outset that sustained a feeling of ownership among several overlapping leadership groups. Professors and administrators at the universities, for example, felt that the initiative's success was important to them personally. This commitment motivated ongoing cooperation between the region's public and private sectors. Business leaders and officials from the cities and universities had powerful incentives to overcome the natural conflicts that arise in ventures of this kind, and the feeling on the part of all players was that they had to be proactive in its support.

Metropolitan Cleveland: Recognizing the value of what you have. By the late 1970s, Cleveland—once one of the great success stories of America's industrialization—had become a city the Nation's humorists loved to deride. It lost manufacturing jobs at a rate of 1.4 percent per year between 1967 and 1977, and long-burning industrial pollutants on the surface of the Cuyahoga River became a symbol of the area's seeming inability to control its fate. The only ray of hope was a service sector that, in spite of the area's dramatic decline in manufacturing, continued to grow. Many community leaders argued, in effect, that the region should write off its aging manufacturing base and concentrate on becoming a predominantly service-oriented economy.

In 1980 the Cleveland Foundation sponsored a major study of the region's economy that dramatically altered this conventional wisdom (Gurwitz and Kingsley, 1982). The study found that although the aggregate losses in manufacturing were serious, they were concentrated in the area's two largest sectors: the production of steel and automotive parts. Looking at the data at too high a level of generalization had masked the fact that a number of smaller manufacturing sectors had been doing quite well over this period; a number of them (accounting for 36 percent of the region's total 1977 manufacturing employment) had actually grown by 5 percent or more over the preceding decade.

The study further showed that Cleveland still had one of the most diversified manufacturing sectors in the country. It concluded that the scale economies and services that supported this sector were still at the center of the region's comparative advantage, and that dense and complex networks of customer-supplier relationships remained a major asset. Most important, the study found that a large share of the region's growing service sector existed primarily to support Cleveland's manufacturing base.

The policy directions suggested by this analysis did not imply trying to turn back the clock to reestablish the kinds or scale of production that once existed in Cleveland. Local leaders recognized that the manufacturing sector in Cleveland, like that in the rest of America, was restructuring. There would be fewer production workers, and more of the value of produced goods would be contributed by high-skill, manufacturing-related services. Building creatively on this production-service linkage would be the key.

Local leaders took steps to encourage the retention of production activities within the region, recognizing that the aggregate would probably continue to diminish (for example, by intervening in zoning trends that were threatening to eliminate space for industrial expansion). But these leaders also started to think creatively about how they could further enhance their strong comparative advantages in activities that provide high-level services to modern manufacturing, both within and outside the region. In addition, they recognized the need for continuing analysis of economic trends so they would be able to adapt more rapidly to changing market forces.[4]

Through this study and a host of other activities, Cleveland has regained confidence in itself. "Cleveland Tomorrow," a strong coalition of business leaders, has played a pivotal role in helping the area secure major new investment projects such as the Gateway Stadium/Arena, and has influenced broad policy issues to enhance the region's business climate. Other private and nonprofit groups have formed in the civic interest, including an organization that is spurring efforts to rebuild the area's decaying infrastructure.

Particularly important of late has been the entrepreneurial leadership of Cleveland's mayor, Michael White, in reaching out to strengthen city-suburban collaboration, devising creative new methods of assembling land for economic development, and more closely linking inner-city residents to corporate leaders in planning for the future.

Metropolitan New York: Putting it all together. My third example, the Competitive Region Initiative, is a new program spearheaded by the Regional Plan Association for the New York-Connecticut-New Jersey Tri-State Region. It is too early to judge the likelihood of its success, but the program is noteworthy because it wraps together and highlights many of the themes I introduced earlier.

First, the initiative is supported by a broad-based coalition of public- and private-sector leaders who have been interactively involved in all phases of planning to date. Second, research supporting the effort clearly recognizes the inevitability of change. It also recognizes that further losses in market share are to be expected in some sectors that have been notable regional strengths in the past (for example, in segments of advertising and consulting that are moving to other regions to be closer to clients, as well as in decentralizing components of manufacturing).

However, this research has identified several clusters of information-based services to global and national markets in which the region has been expanding rapidly: financial services, business services, information and media services, arts, culture and tourism, transportation and distribution, and biomedical services.

Even within these expanding clusters, future change will be required if they are to remain competitive. In financial services, for example, analysts believe that "expanding sectors, like securities, will have to gain share in order for the region to offset expected losses in other sectors, such as banking, insurance, and real estate (DRI/McGraw Hill and Regional Plan Association, 1994)." Action to facilitate promising clusters begins by researching their particular problems and needs and then designing programs that fit those needs. Examples include educating and retraining workers, improving transportation and communications services and institutional infrastructure, and removing unreasonable tax and regulatory barriers.

And it is happening in other ways in other places. There are many other emerging success stories along these lines in other parts of the country. All are stories of local leaders developing strategic economic visions for their areas that fit today's market realities.

- A cluster of cities in tidewater Virginia, including Norfolk, Hampton, Virginia Beach, Portsmouth, and Chesapeake, are overcoming a history of bickering to jointly respond to the challenges created by defense cutbacks and other economic woes. Mayors and supervisors there are meeting monthly to answer the question posed by Norfolk Mayor Paul Fraim: "What is our sun—the one issue the cities can focus on as the key to their collective futures?" A core developmental theme appears to be finding ways to take better and broader advantage of the area's impressive port facilities. Industrial leaders and university presidents are now being invited to the monthly sessions, and Fraim and Hampton Mayor James Eason are emphasizing the need to draw neighborhoods into the regional discussions (Peirce, 1995).

- Metropolitan Miami was losing ground as a tourist destination for northern-tier Americans in the 1960s. For a time, many saw the rapid influx of immigrants from Cuba and other parts of Latin America as a liability (as evidenced by battles against bilingualism). But then, what had been seen as a problem began to be recognized as an opportunity: While its competitive position in relation to U.S. markets may have been diminishing, Miami was developing an outstanding capacity to become an international trade center. The strong cultural connections and entrepreneurial drive that immigrants brought with them were, in fact, remarkable assets for development.

  Building on these assets has been an important strategy for Puerto Rican-born Maurice Ferre, Miami's mayor from 1973 to 1985, and his Cuban-born successor, Xavier Suarez. A 1977 international banking statute permitted foreign banks to open in Miami, and the greatest building boom in the city's history followed. The Greater Miami Chamber of Commerce and other civic organizations supported new institutional and physical infrastructure to facilitate international trade. They established the Miami Free Zone Corporation and the World Trade Center, for example, and substantially expanded and reoriented the Miami International Airport. Local firms in international trade and financial services burgeoned in the 1980s and trade connections have leveraged other industries, including international tourism, health technologies, and other indigenous manufacturing.[5]

- The Spartanburg-Greenville area in the upstate hill country of South Carolina has also transformed its economy through an international connection. Its centerpiece, however, is foreign-owned manufacturing rather than trade. A base in world-class manufacturing was laid in the 1950s when Roger Milliken relocated his textile company in Spartanburg. Milliken, already a leader in his industry and known for technical innovation and quality management, became a leader in his new community, pressing for improvements in education and other changes that would create a more attractive environment for new production firms. Richard Tukey, long the executive director of the Spartanburg Chamber of Commerce, recognized the potential and aggressively marketed the area to firms in Europe. The initial connection was in textiles, but the benefits spilled over. The more foreign firms set up plants locally, the more Tukey and others took steps to make the area even more hospitable to foreign managers. By 1994, 215 foreign companies were located in the area, including a major subsidiary of the French Michelin Groupe (now the region's largest employer) and the first BMW plant ever located outside of Germany. Moreover, because the area has become a more attractive place for manufacturing in general, many more U.S. firms have started operations there.[6]

- Metropolitan Boston used a different core foundation for economic development: knowledge. After a period of stagnation marked by declines in traditional manufacturing industries such as textiles and leather products that lasted through much of this century, the Boston area flourished in the 1980s with a boom in high-tech production around its fabled Route 128. By 1990, however, the region was again in trouble, as a number of its high-tech firms were either failing or suffering significant losses in market share. Yet by 1994 the area had once again bounced back, and in that year Massachusetts led all other industrial States in job creation.

  In contrast to the large firms, such as computer hardware producers Digital Electronics and Wang, that characterized the boom of the 1980s, highly competitive small firms, including many software producers, characterize recent successes. Boston now appears to recognize that its niche rests more comfortably with the latter. With one of the Nation's most prestigious set of educational institutions, the area has always attracted "concept people." In today's market, dense networks of small enterprises that compete and collaborate at the same time seem to work best in knowledge-based economic activity. The area's leaders are now looking more aggressively for ways to support this phenomenon. One approach is establishing nurturing intermediaries such as the Massachusetts Software Council, which runs 27 meetings on international opportunities, legal issues, and sales and marketing strategies each year for its 300 members (Kanter, 1995). Another priority is making the area's local governments more hospitable to business activity, which was often a problem in the past.

Making Your Area an Attractive Place To Do Business

Private entrepreneurs, not local governments, are the primary agents creating economic growth. But local governments and other public institutions play a large role in creating the context in which development occurs and in shaping the background conditions that are looked at as either attractions or detractions by prospective investors. John Kasarda notes that a 1992 survey "found that low lease rates were the most important factor influencing corporate site selection decisions, followed by an educated labor force, major highways, and low construction costs" (Kasarda, 1993). All of these factors are influenced by local public policy.

The new importance of human resource development. A factor of increasing importance to the attractiveness of local communities is the quality of their local workforce. Few would have thought, two decades ago, that an excellent education system would now be recognized as a primary tool in economic development. Economic growth in America will still require some low-skilled workers, but we can hardly be competitive on a global scale with large numbers of them. The basis for our competitiveness must be a well-educated workforce.

To accomplish that critical goal, America must improve the education of inner-city children. The educational achievement of public-school students in the inner cities is well below that of students in the suburbs. The 1992 National Assessment of Educational Progress, for example, reports that three-quarters of fourth graders in disadvantaged urban areas are reading below basic skill levels, compared with only 18 percent in more affluent school districts (Mullis et al., 1993). Mathematics and science results show similar disparities. Yet inner-city students represent a substantial segment of the future workforce—public school districts of central cities now educate almost one-third of all American youth.[7]

The economic costs of poverty and polarization. American poverty has become more concentrated in metropolitan central cities. In the largest 85 metropolitan areas, average per capita incomes in the cities and suburbs were nearly equal in 1973, but by 1989 the city average was 16 percent lower than that of the suburbs (Ledebur and Barnes, 1992). In 1970 the largest cities housed about equal proportions of the Nation's poor and nonpoor populations (23 percent and 22 percent respectively). By 1990 the share of all poor living in these cities had increased (to 24 percent), but their share of the nonpoor had declined dramatically (to 15 percent).[8] Over these two decades, the number of people living in concentrated poverty areas (census tracts with poverty rates of 40 percent or more) grew from 3.8 million to 10.4 million (Mincy and Weiner, 1993).

The problems associated with concentrated urban poverty are evident to all Americans: higher rates of crime, drug use, and other health problems, coupled with increasing isolation from mainstream society that disrupts linkages to employment opportunities and perpetuates dependency.[9]

These conditions clearly increase the public costs borne by city residents. Janet Rothenberg Pack's recent study of local government budgets for America's large cities (populations above 300,000) showed that cities with high poverty levels have higher per capita expenditures for most municipal functions. The total public costs that must be covered by nonpoor taxpayers in high-poverty cities are substantially above those required of the nonpoor elsewhere.[10]

This situation has two obvious effects. First, it induces more nonpoor taxpayers to move out, thereby further eroding the tax base. Second, it puts enormous pressures on local governments to reduce expenditures, cutting services to the poor and nonpoor alike. Both factors portend a further downward spiral.

These conditions obviously undermine the attractiveness of the central city for existing businesses, let alone new business investment. Decaying physical and institutional infrastructure, rising crime rates, and the potential for more widespread social unrest associated with poverty make the city an increasingly expensive location. Yet the economic functions performed in central cities are often the cutting-edge functions of the metropolitan economy, and suburbs depend on them, both directly and indirectly.

Investors consider future risks as well as current costs when they assess alternative locations for investment. It is becoming difficult to attract highly skilled professionals to locate anywhere (even in supposedly attractive suburbs) in metropolitan areas where polarization is extreme.[11]

Are policies to address these problems a part of economic development? New York's Regional Plan Association seems to think so. As a companion to its Competitive Region Initiative, it has launched an Equitable Region Initiative focused on actions to link disadvantaged communities and their residents to the activity clusters around which the region's economic expansion is to be based (DRI/McGraw Hill and Regional Plan Association, 1994). These actions may include improving education and training, employment information networks, and transportation services, as well as reducing crime/drug barriers and initiating better fair housing enforcement, strategic provision of affordable housing, and other activities that support the deconcentration of poverty over the longer term.

Comparative disadvantages of a high-cost environment. In many U.S. metropolitan areas, unreasonable regulations and other barriers have led to artificially high land and building prices that force businesses to pay more to build or lease space for factories and offices. Inefficient spatial patterns mean they have to pay more for infrastructure and other public services.[12] In some ways the most important effects occur indirectly, through what firms have to pay their employees. Where the general costs of living are higher (prices for housing, commuting, and public services), wages must also be higher if firms are to attract and retain a competent workforce. All of this implies that firms will have to increase the prices of the goods and services they provide, making them less competitive in the global marketplace.

This view of high-cost environments is not just theory. High-cost metropolitan areas in the United States are already suffering in competition with locations that offer a lower cost of living. Kasarda notes that "one of the interesting trends during the [early 1990s] recession was the counter-cyclical employment *growth* in low-cost (and often smaller) markets, such as Houston, Las Vegas, Salt Lake City, Denver, and Indianapolis." These changes are far from inconsequential. Charlotte, North Carolina, is now the third-most important commercial banking center in the United States, and Provo, Utah, boasts the second-largest concentration of computer software jobs in the United States (Labich, 1994).

That costs are higher in larger than smaller metropolitan areas is fully consistent with economic theory. Large urban concentrations are known to require more costly inputs per capita (for infrastructure, for example). But because their contexts provide such enormous efficiencies for so many economic activities (agglomeration economies), their yields are higher still. Workers in New York and Chicago earn higher wages per hour on average than those in small towns on average because, benefitting from the agglomeration economies, more value added is produced per hour they work. The whole urban system is more "productive."

The question is, *how much* more costly should larger metropolitan areas be? I am quite sure that in many of America's most important urban agglomerations, costs are higher than they need to be.

What can be done about it? There are no examples anywhere of local governments dramatically altering the overall cost structures in their areas in a short period of time. However, action can be taken at the margin.

One step is to review and revamp the local regulatory environment—labyrinthine and uncertain approval processes are among the most certain turnoffs to potential investors. Another is to examine local tax structures to be sure that, in comparison to other areas, local tax burdens are no higher than they need to be. A third is to mount proactive programs to more aggressively rehabilitate and market underutilized land in the central city.

Building Institutional Infrastructure: Public/Private Coalitions

It is encouraging that the types of thinking and initiative exhibited in the stories of North Carolina's Research Triangle, Cleveland's resurgence, and New York's new economic development planning are spreading to regions throughout the country. Business leaders and other long-term stakeholders in many metropolitan-based regions—people who are totally opposed to "government planning"—are recognizing that sensible forms of public-private collaboration in regional economic entrepreneurialism pays off.

Allan Wallis has reviewed new developments in regional governance in a number of U.S. metropolitan areas. He sees:

> (1) significantly increased and direct involvement of the private and nonprofit sectors on a regional scale; (2) a new type of elected leadership that is more willing to negotiate and partner in efforts to build a metropolitan community; and (3) increasing use of facilitated decisionmaking processes to help establish

> shared visions, resolve conflicts and develop consensus regarding regional interests (Wallis, 1994).

Wallis emphasizes that the new leadership coalitions and networks recognize that the geographic focus of their efforts has to be the metropolis as a whole, not just the central city or the suburbs independently, and believes that they represent impressive bridge building between groups that have often been at odds in the past (for example, business leaders, community development nonprofits, and government agencies).

For a number of these groups, regional economic development and job generation are priority themes. Business-led coalitions organized around regional economic themes include Cleveland Tomorrow, the Allegheny Conference on Community Development in metropolitan Pittsburgh, Greater Philadelphia First, the Greater Houston Partnership, the Trade Development Alliance of Greater Seattle, and the Economic Development Equity Fund in metropolitan Dayton.[13]

Former Albuquerque mayor David Rusk has also recognized a change in the attitudes of big-city politicians, including some African-American mayors who are "recognizing that go-it-alone strategies aren't working and are looking towards regionalism." Willie Herenton, Memphis's first African-American mayor, has called for dissolving the city of Memphis and having Shelby County serve as a unified government for the area. Rusk also notes that Detroit's mayor, Dennis Archer, "understands fully that the process of abandonment of his city has proceeded so far that, with 22 percent of the region's population, he has only 7 percent of the region's tax base to work with; he is reaching out to build alliances with Detroit's suburbs—an action his predecessor disdained (Rusk, 1994)."

Even more important is building coalitions that break down racial hostility and other animosities that are so harmful to any area's climate for development. Most of the initiatives cited above are reaching out for *inclusiveness* and involving representatives of disadvantaged inner-city communities in planning future development. Cleveland Tomorrow, for example, regularly partners with the Cleveland Roundtable, a forum that addresses interracial and ethnic tensions, and I have no doubt that Atlanta's forceful "Too Busy to Hate" initiative in the 1970s set the stage for three decades of cooperation, which in turn was critical to that city's successful bid for the 1996 Olympic Games.

The Federal Role

Not too long ago, there was considerable debate about whether America should have an "industrial policy." Such a policy was never developed in any official way. The prospect of the Federal Government "picking winners" from our industrial mix and trying to develop policies to support them runs against the grain of our national traditions.

What is interesting from the standpoint of this essay, however, is that this debate was framed in terms of the Federal Government's relationship to national industrial sectors, not to regional sectors. We may well be uneasy about the ability of Federal officials to understand enough about the realities of individual industries to offer them sensitive guidance or support. The local private-public leadership coalitions that are forming to spur regional development, however, are much closer to the action, and they are carefully studying shifting market forces and their own comparative advantages within those forces. They are not taking public intervention to extremes.

But without an organized Federal effort to partner with these initiatives constructively, we may be missing a rare opportunity to support them—not only by emphasizing relief from Federal regulations, but also by serving as a catalyst to help them leverage their resources more effectively. This is what is so exciting about the Community Empowerment Board (CEB) that the President created in 1993 to support the bottom-up planning strategies in communities designated as Empowerment Zones and Enterprise Communities, encouraging and assisting other localities committed to comprehensive community revitalization. Consisting of the heads of 15 Federal agencies with critical domestic responsibilities and chaired by the Vice President, CEB is working to eliminate unnecessary regulatory or other Federal program requirements that inhibit local innovation. While we still have a long way to go, CEB has taken great strides toward making good on the Clinton administration's pledge to make the Federal Government a better partner with America's communities.

Notes

1. This essay was first published in September 1995. The Department wishes to acknowledge the contribution of G. Thomas Kingsley, director, Center for Public Finance and Housing, The Urban Institute, for making this essay possible.

2. There were 341 metropolitan areas in the United States in 1990. As defined by the Bureau of Census, metropolitan areas comprise, at a minimum, one county (town, in New England) containing a central city (or urbanized area) with least 50,000 people; but metropolitan areas can, and often do, also include adjacent counties if they have strong social and economic ties to the central county. As such, metropolitan areas incorporate almost all the urban population of the Nation, excluding only the relatively few who live in small towns.

3. This discussion is drawn generally from Ezra F. Vogel and Andrea Larson, "North Carolina's Research Triangle: State Modernization," in Ezra F. Vogel, *Comeback: Case by Case, Building the Resurgence of American Business* (New York: Simon and Schuster, 1990).

4. The study report itself maintained that any "one-shot" study was not a sufficient basis for policy and recommended ongoing monitoring of change in the region's economy. Local leaders supported this recommendation by establishing the Regional Economic Issues Program at Case Western University. See Diana Tittle, *Rebuilding Cleveland: The Cleveland Foundation and its Evolving Urban Strategy* (Columbus, OH: Ohio State University Press, 1992): pp. 266–267.

5. The story of Miami's recent economic gains is told more completely by Rosabeth Moss Kanter in *World Class: Thriving Locally in the Global Economy* (New York: Simon and Schuster, 1995).

6. Also see Rosabeth Moss Kanter, op cit.

7. In 1986 central city districts of large metropolitan areas (populations above 400,000) were educating 12 percent, and other central city districts were educating another 15 percent. Data as cited in Edward W. Hill, Harold L. Wolman, and Coit Cook Ford III, “Can Suburbs Survive without their Central Cities? Examining the Suburban Dependence Hypothesis.” Paper presented to the U.S. Department of Housing and Urban Development, December 1994. Also see Robert Kominski and Andrea Adams, *School Enrollment—Social and Economic Characteristics of Students*, October 1993, Table 2 (Suitland, MD: U.S. Bureau of Census).

8. Janet Rothenberg Pack, “The Impacts of Concentrated Urban Poverty on City Government Expenditures.” Paper presented to Wharton Conference on Urban Policy, University of Pennsylvania, December 1994. The study included all cities with 1990 populations of 300,000 or more.

9. There is now a vast selection of literature on these effects. See, in particular, William J. Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987), and Adele V. Harrell and George E. Peterson, Eds., *Crime, Drugs, and Social Isolation: Barriers to Urban Opportunity* (Washington, D.C.: The Urban Institute Press, 1992).

10. Pack calculates these relationships for various categories of cities, but the most compelling are for joint city-county governments (where a larger share of all poverty expenditures are included). In this group, per capita poverty expenditures (public outlays for welfare, hospitals, and other health programs) in low-poverty cities (poverty rates below 16 percent) averaged $124—44 percent of the $277 average for high-poverty cities. All other expenditures per capita totaled $656 in the low-poverty cities but $1,078 in the high-poverty cities. Excluding Federal and State aid, the totals work out to $596 per nonpoor person in the low-poverty cities versus $1,040 per nonpoor person in the high-poverty cities. See Janet Rothenberg Pack, *Poverty and Urban Public Expenditure*. Working paper for the Wharton Real Estate Center, University of Pennsylvania, Philadelphia, February 1994.

11. The *Economist* (November 2, 1991) notes, for example: “Nowhere is the separation of (city and suburb) so destructive … as in Detroit.… Company head hunters, even in the distant suburbs, find it difficult to lure top-notch talent to a place with such a negative image.”

12. The costs of extreme spatial dispersion, coupled with inner-city abandonment in many U.S. metropolitan areas, are substantial. For example, we have had to build (and still have to maintain) infrastructure networks (water supply, electricity, telephone lines, roads) that are much more extensive (as measured in length per capita) than those of our competitors in the global market. Excess costs associated with commuting are probably the most noteworthy. The United States spends between 15 and 18 percent of its GNP on transportation (compared with 9 percent in Japan). And American families spend between

15 and 23 percent of their annual income on transportation-related expenses (compared with 9 percent for Japanese families). Data from Elliot D. Sclar and Walter Hook, "The Importance of Cities to the National Economy," in Henry G. Cisneros, Ed., *Interwoven Destinies: Cities and the Nation* (New York: W.W. Norton, 1993).

13. Other accounts of the work of these coalitions and others are found in Neal R. Peirce, with Curtis Johnson and John Stuart Hall, *Citistates: How Urban America Can Prosper in a Competitive World* (Washington, D.C.: Seven Locks Press, 1993), and Joseph Stillman, *Making the Connection: Economic Development, Workforce Development, and Urban Poverty,* (New York: The Conservation Company, 1994). A useful assessment of recent efforts by private corporations to play a more direct role in urban problems has been provided by George E. Peterson and Dana R. Sunblad, *Corporations as Partners in Strengthening Urban Communities.* Urban Institute report. (New York: The Conference Board, Inc., 1994.)

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