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CITIES AND URBAN REGIONS AS ENGINES OF ECONOMIC GROWTH

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Figure 1. In every nation, the urban share of national income is higher than the urban share of the national population.

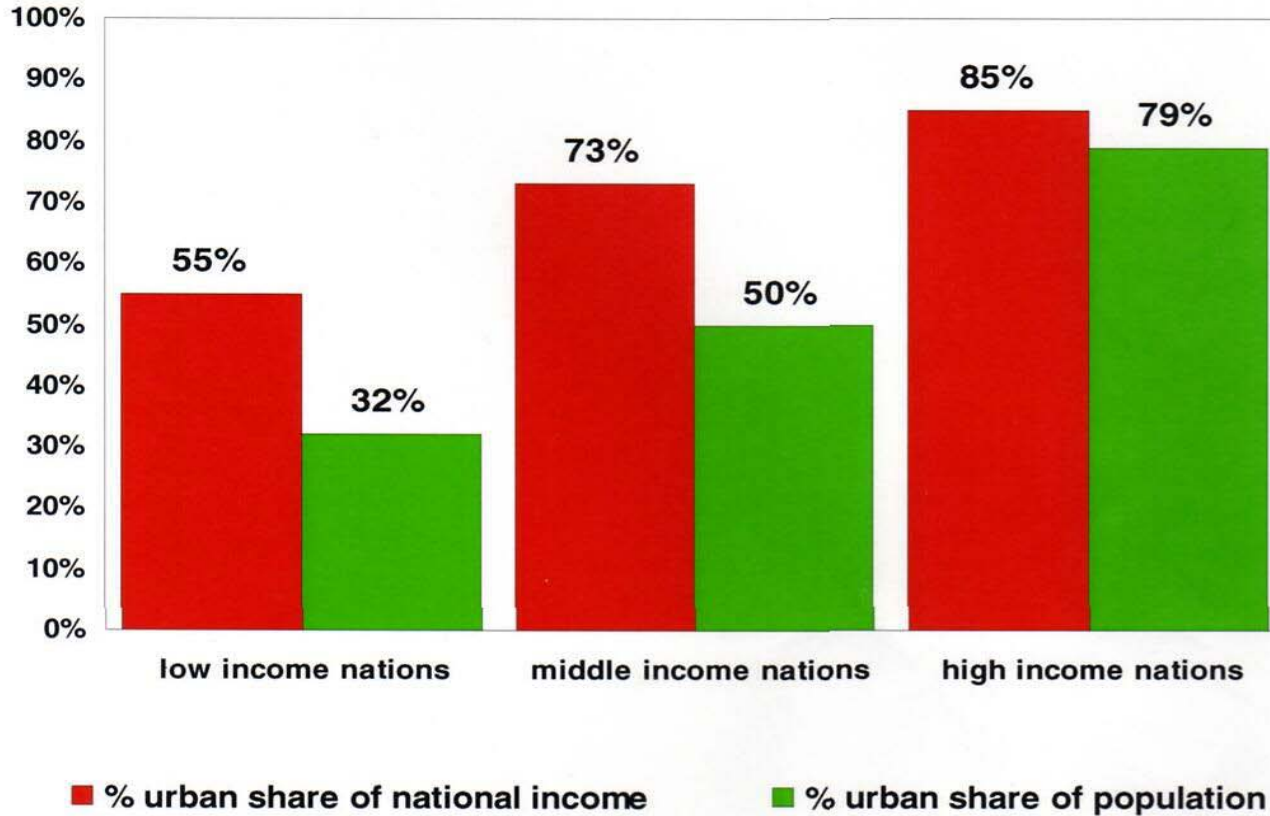
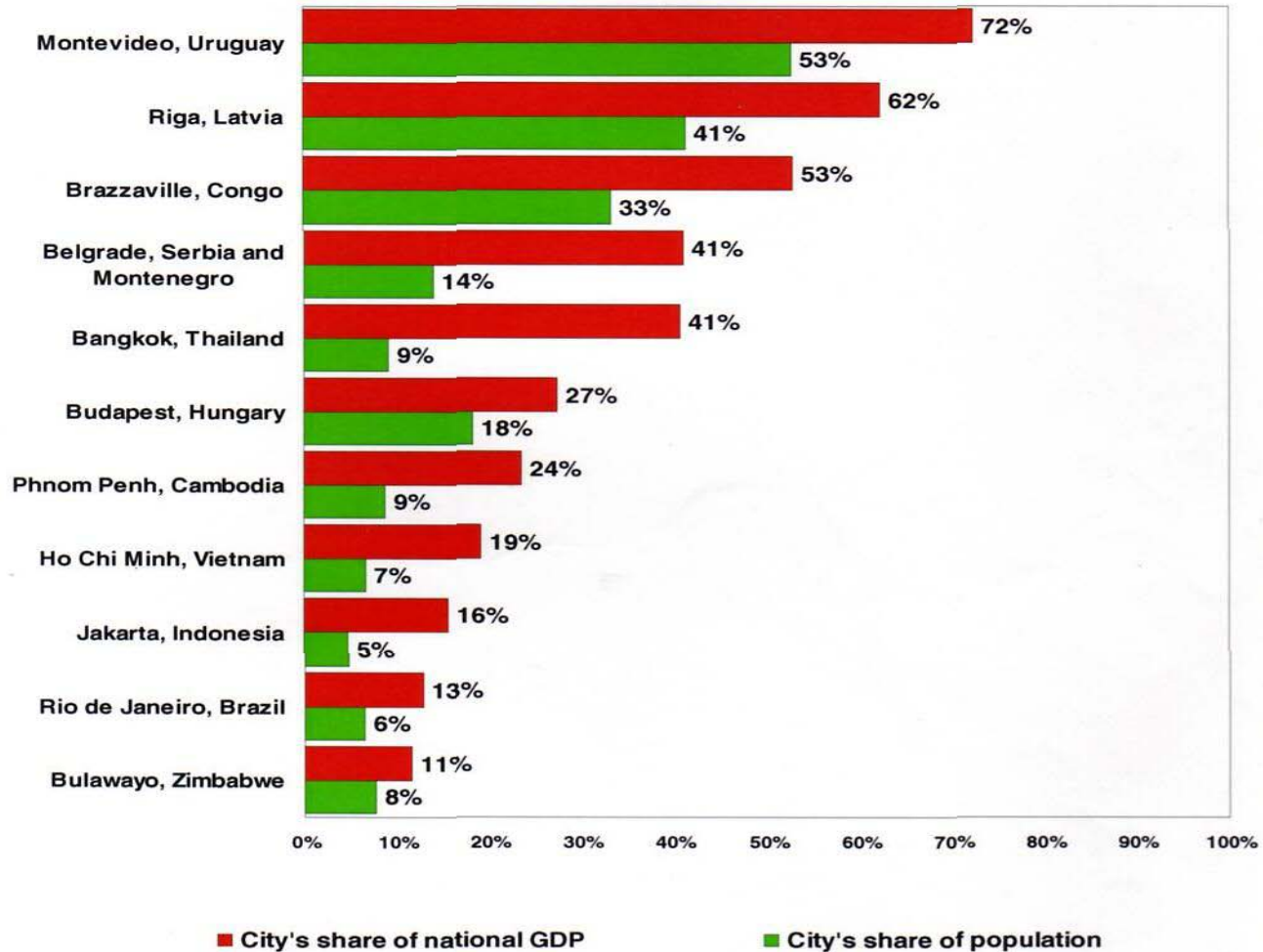


Figure 2. In most cities worldwide, the city's share of national income is higher than the city's share of national population



Prague, Czech Republic

Population: 1.2 million

10% of national population

15% of national workforce

>20% of national GDP

>50% of national tourist revenue

“NEW ECONOMY” OF THE 21ST CENTURY:

- Knowledge and Information-Based
- Technology and Communications-Intensive
- Globally Oriented

Why Urban Areas are More Economically Productive

They combine:

Specialization and Diversity

(“agglomeration economies”)

- the critical mass of skills and resources;
- the necessary population density and concentration of market incomes;
- the range of specialized knowledge and institutions;
- the wide diversity of vitally needed facilities and services;
- and the fully developed physical and human infrastructure that are prerequisites for new ideas, products and production methods, technological and organizational innovations, and dynamic economic growth and investment.

KEY ECONOMIC ROLES FOR CENTRAL CITIES AND URBAN REGIONS

- centers of innovation and services, including advanced and highly specialized services
- centers of communication, culture, sports, entertainment, conventions, and tourism
- centers of education, research, and health care
- centers of transportation and trade
- centers of manufacturing and technology development
- market centers
- workforce centers

THE VITAL ECONOMIC IMPORTANCE OF PLACE

Michael Porter, *On Competition* (1998)

“When considering the globalization of competition, however, one must confront an apparent paradox: Although companies do indeed compete globally and inputs such as raw materials, capital, and scientific knowledge now move freely around the world, strong evidence shows that location continues to play a crucial role in competitive advantage...This geographic concentration of competitive advantage appears not only in established industries such as automobiles and machine tools but also in new industries such as software, biotechnology, and advanced materials...[G]lobal companies have indeed dispersed activities to many countries, but they continue to concentrate in one location a critical mass of their most important activities for each of their major product lines or businesses.”

SOURCES OF URBAN ECONOMIC ANALYSIS

- Alfred Marshall — “industrial districts” (localization economies)
- Richard T. Ely — urban land economics
- Jane Jacobs — urban creativity and economic innovation
- urban and regional economics
- economic and urban geography
- economic and urban history
- regional science
- urban and regional planning (Peter Hall article)
- institutional and business economics (Thomas Friedman article)
- corporate facility location specialists
- economic development and real estate professionals
- municipal finance rating agencies

Investing in Fundamental Assets and Building Dynamic Industry Networks

A good economic strategy consists of two key elements: 1) building from strength — investing in the fundamental assets and activities that make people more productive and places more valuable; 2) generating dynamism — promoting modern, globally competitive industry networks that accelerate the pace of innovation and growth.

Investing in the fundamental assets shifts the focus away from narrowly defined economic development initiatives that rely on tax subsidies and other incentives. The biggest asset is people, and what makes them productive are investments in transportation and infrastructure that move people, goods, and information most efficiently and cost-effectively, investments in education and workforce development that make people more skilled and innovative, investments in research and technology to generate new ideas and products and processes that are highly valued in the world, investments in health and safety that make places worthwhile for living, working, and visiting, and investments in the physical environment and cultural milieu that make places more attractive, life more rewarding, and people more motivated to work and study hard. Thus economic strategy, as opposed to the conventional view of local economic development, involves all of the important aspects of public and private resources and institutions, and is necessarily comprehensive and broad-based.

INVESTING IN FUNDAMENTAL ASSETS

PEOPLE are the most vital economic asset in the world.

Fundamental assets:

- Transportation
- Infrastructure
- Education
- Workforce development
- Research
- Technology
- Markets
- Capital
- Environment and amenities
- Culture
- Quality of life

“BE YOURSELF”

Akron case study:

In Akron, Ohio, the leaders of the urban region came together in an economic crisis and created a Metropolitan Economic Strategy that maximized their fundamental assets of people and place. Faced with the loss of thousands of jobs in rubber tire manufacturing by the four major companies — Goodyear, Goodrich, Firestone, and General Tire — metropolitan leaders did not try to become another Silicon Valley and create an information technology and telecommunications industry. Instead, they recognized that “high technology” in today’s world involves every type of product and production process, and that they could compete more effectively by focusing on their own areas of expertise rather than simply trying to imitate what other places were already doing successfully.

Since synthetic rubber was developed in Akron during the 1940s and 1950s, Akron’s metropolitan leaders recognized that the people and institutions within their region had a depth of knowledge in the field of *polymers* — the science and engineering of plastics and of related synthetic materials. Therefore they decided to invest more heavily in this unique specialization, and reinvented their urban region as the world center of polymer science and engineering, creating a whole new college and research laboratories at the University of Akron. They put together all the elements of such a Metropolitan Economic Strategy — education, job training, research, financing, business assistance, facility construction, physical infrastructure, trade promotion, marketing, product development, industry network linkages, personnel recruitment, and much more — and they successfully implemented this strategy by generating hundreds of new private firms and thousands of new jobs in polymer-related activities. Akron’s public and private leadership also diversified their economy through conventions, entertainment, recreation, and tourism, and thus improved the quality of life vitally necessary for retaining and attracting skilled workers and creative entrepreneurs. Akron’s success is a good example of a major theme of Metropolitan Economic Strategy: “Be Yourself.” The assets of an urban region or any other geographic entity will differ from most others, and each economic strategy must be specifically tailored to maximize the value of the existing assets of people and place that are special to a particular culture and location.

BUILDING DYNAMIC INDUSTRY NETWORKS

The second major element of Metropolitan Economic Strategy is to promote the growth of dynamic and innovative industry networks, also called clusters. Industry networks, as the name implies, draw upon a wide range of closely interacting private and public sector organizations and institutions that supply each other with goods and services to produce specialized and competitive products and skills. These business and agency linkages are key to the success of an industry network, and they cut across the traditional industrial or sectoral classifications, because in this case an economic activity such as machinery production will include a much wider range of scientists, engineers, lawyers, accountants, bankers, insurers, architects, designers, and a whole host of related fields that enable machines to be manufactured and distributed with cost-effectiveness, technological efficiency, and market appeal, and to be sold or leased at a sufficient profit that will provide safe jobs and decent livelihoods for a large and growing population of workers and consumers. Industry networks that are the engines of prosperity in the new global economy can be in manufacturing or services, involving old or new technologies and products, from food and medicine to computers and mobile phones. Each place will have to determine which industry networks will be most productive, innovative, competitive, and dynamic, based on the fundamental assets of their particular population and location, such that polymer development will work for Akron and commercial shipping for Barcelona, but not the other way around.

To effectively grow industry networks or clusters, they must be tailor-made for the asset base and business mix of each urban region, meaning that one size definitely does not fit all. In this sense, the first key element — investing in the fundamental assets — and the second element — growing the dynamic industry networks — are deeply interconnected, and developing a comprehensive Metropolitan Economic Strategy involves the specific interaction between both of these key elements. Major assets such as international airports, universities, scenic waterways, or historic neighborhoods can promote the growth of a variety of industry networks if planned and developed as part of an effective strategic framework. In turn, each industry network will draw on a wide range of different assets, with no two networks necessarily having the same needs and priorities even in the same location. Every urban region must build on its existing strengths, and create precisely targeted policies and incentives to generate investment and growth that makes the best possible use of its fundamental assets. It is important to emphasize that industry networks or clusters only give urban regions a competitive advantage *if* they are dynamic and growing. Competitive success in the new global economy comes through fostering innovation and productivity. Industry networks are key elements of Metropolitan Economic Strategy only to the extent that they can help generate rising incomes and employment through combining innovative specialization with creative diversity. Simply identifying an urban region's "clusters" will do no good for strategic economic development if these clusters are unproductive, outmoded, or stagnating.

WHY QUALITY OF LIFE — SUSTAINABILITY, EQUITY, AND INCLUSIVENESS — IS NECESSARY FOR URBAN PROSPERITY

In formulating and implementing Metropolitan Economic Strategy, improving the physical environment and addressing social equity are integral to the overall prospects for success. This represents a change in paradigm from the traditional concept that economic growth does not involve environmental protection or poverty reduction, with some people and policymakers still viewing these concerns as at least separate and perhaps even incompatible. The progressive idea of the sustainable development movement is that these three concerns must be balanced against each other such that each one is taken seriously as an important societal and public policy goal. *In today's global economy, where quality of life is the key to attracting and retaining skilled workers, and skilled workers are the basic building blocks of economic prosperity and competitiveness, improving the environment and addressing social equity are no longer luxuries to be traded off against economic growth. Indeed, they are now absolute prerequisites for achieving and sustaining growth of jobs and incomes, trade and technology.* If a place has polluted air and water and terrible automobile traffic congestion and unmanageable sprawl, it may become an undesirable place for people to live, work, and visit, and for companies to invest in and locate production facilities and personnel.

Cases:

- Curitiba, Brazil
- Portland, Oregon
- Bogota, Colombia
- Seoul, Korea
- Guangzhou, China

Joel Kotkin, *The New Geography* (2000)

“ Decisions about where to locate businesses, for example – once dependent on questions of access to ports, roads, rails, or raw materials – are increasingly dependent instead on the ability to link often scarce human resources.... These changes profoundly alter the very nature of place and its importance by de-emphasizing physical factors...and placing greater emphasis on the concentration of human skills in dense concentrations of population.... The more technology frees us from the tyranny of place and past affiliation, the greater the need for individual places to make themselves more attractive. Surveys of high-technology firms find that among factors that drove their decision of where to locate, a ‘quality of life’ that would make the area attractive to skilled workers was far more important than any traditional factor such as taxes, regulation, or land costs.”

PROTECTING AND SUSTAINING THE PHYSICAL AND NATURAL ENVIRONMENT OF URBAN REGIONS TO PRESERVE AND ENHANCE QUALITY OF LIFE

- cleaning up and redeveloping toxic and polluted “brownfield” land;
- renovating historic structures;
- improving clean air and water;
- maintaining the beauty of natural landscapes;
- investing in urban cultural heritage and place-identity;
- increasing the accessibility of pathways and open spaces;
- preserving the availability of agricultural land;
- curbing sprawl and traffic congestion;
- reinvesting in older towns, cities, and inner-ring suburbs;
- expanding transit and other pedestrian and transportation alternatives;
- promoting ecological and heritage tourism;
- developing parks and recreational facilities;
- developing “green” infrastructure;
- increasing recycling and the use of renewable energy sources;
- encouraging energy conservation;
- strengthening community planning and design.

THE ROLE OF EQUITY AND INCLUSIVENESS IN URBAN ECONOMIC GROWTH

Cases:

- Johannesburg, South Africa
- Durban, South Africa
- Singapore

Cape Town, South Africa: “Our Golden Thread”

“It is not a question of choosing global competitiveness *or* the reduction of poverty — Cape Town will achieve both or neither. Reducing poverty will strengthen global competitiveness, and global competitiveness will permit reduction of poverty through economic growth and job creation.”

CONCLUSION

It should now be clear that Metropolitan Economic Strategy is a new global paradigm and policy initiative that is increasingly essential for generating and maintaining a vibrant and prosperous economy for everyone and every place in the world. Issues that generally were considered to be separate and distinct from economic growth and development, including a sustainable living environment, social equity, cultural diversity, spiritual values, honoring historical traditions, governance, citizenship, inclusiveness, identity, security, cohesion, and other similar “non-economic” concerns are now completely tied to the future performance and competitiveness of the economy in the global marketplace. “Urban policy” must now become the centerpiece of international and national macroeconomic policy, because urban regions are the dynamic engines of innovation and productivity for the world, and they can produce and distribute the resources that provide better livelihoods for urban and rural residents alike.

In order to have a good economy today and in the future, urban regions must have a good quality of life. Good quality of life requires a good physical, social, political, and cultural environment. The rising importance of quality of life for economic prosperity — specifically the vital need for sustainability, equity, and inclusiveness — is an entirely new paradigm for the 21st century. The best way to address these new realities is for every nation, region, and community to adopt the framework of Metropolitan Economic Strategy. Then they can all work together cooperatively to design and implement successful economic strategies that invest in their fundamental assets and grow dynamic industry networks simply by being themselves. This can only be achieved, however, with good leadership, cooperative governance, and a common sense of purpose and mutual identity called “Teamwork.”