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# Metropolitan Economic Strategy: The Key to Prosperity

Metropolitan Economic Strategy is now essential for every nation and urban region to generate sustainable prosperity and quality of life.

**T**HE MOST IMPORTANT GEOGRAPHIC UNITS OF economic activity in the world today, other than the nation-state itself, are urban regions. In every country across the world, more than half of the national income is generated from urban areas. Indeed, these percentages range from an average of 55% in low-income developing countries, all the way up to an average of 85% in high-income developed countries. What is all the more striking about these statistics is that in every case the percentage of national income generated by urban areas exceeds the percentage share of the national population that is urbanized. In the case of the low-income developing countries where urban areas account for an average of 55% of the national income, the urban share of the population averages 32%. In middle-income countries, the urban share of national income averages 73%, whereas the urban share of the population averages 50%. For high-income countries, the average urban contribution to national income is 85%, yet the urban proportion of the national population is 79%. This shows that the greater the level of urbanization in a nation the higher its level of prosperity, and conversely, the more prosperous a country is the higher is its level of urbanization.

Take almost any city in the world and you will find that its contribution to the national prosperity substantially exceeds its percentage of the nation's population. Prague, the capital city of the Czech Republic, is a good example. It makes up 10% of the national population, 15% of the nation's workforce, over 20% of the national Gross Domestic Product (GDP), and more than 50% of the national tourist revenue. Cities all over the world, rich and poor, in developed and developing countries, on every continent, follow a similar pattern, whether it be Belgrade with 41% of the national GDP and 14% of the

national population, or Bangkok, with 41% of the national GDP and 9% of the national population.

The reason for this disparity is that urban regions are the only places that can combine the two most important elements for generating productivity and innovation, allowing economies to compete in the global marketplace. These two elements are specialization and diversity. Only an urban region can gather together a critical mass of people with highly specialized and advanced skills. Further, only in an urban region can a large number of different people with a wide range of highly diverse specialized skills mix together to become both very productive and very innovative in developing and marketing new products and new production processes. Such a combination of specialization and diversity is more vital than ever in today's new economy, which is characterized by three key features: 1) it is knowledge- and information-based; 2) it is technology- and communications-intensive; and 3) it is globally oriented.

Urban regions are vital competitive geographic units of the global economy and major contributors to generating and sustaining prosperity and quality of life for communities. These expansive city-suburban-exurban areas are now the main battleground where companies compete to develop new inventions, generate investment, jobs, trade, high value-added production, and enhance income. Indeed, urban regions represent the most vital sources of prosperity for every nation. Promoting productivity and innovation is essential for competitive success in the world economy, and urban regions have become the leading generators of technological and organizational advances in the production and distribution of goods and services for the global marketplace. The main prescription for success in global economic

competition is to establish metropolitan centers of innovative activity, combining creative human talent with state-of-the-art equipment to incubate and foster technical advances in a wide range of interrelated products and production processes.

The principal reason for the growing importance of metropolitan economies in generating national prosperity is their essential character as the only geographic entities that contain, in relatively compact form:

- A critical mass of skills and resources;
- The necessary population density and concentration of market incomes;
- A range of specialized knowledge and institutions;
- A wide diversity of vitally needed facilities and services;
- The fully developed physical and human infrastructure that are prerequisites for new ideas, products and production methods,

- Centers of transportation and trade
- Centers of manufacturing and technology development
- Market centers
- Workforce centers

### Two essential elements

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 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



technological and organizational innovations, and dynamic economic growth and investment.

While rural areas can and do contribute substantially to overall economic well-being through agriculture, mining, natural resources utilization, and recreation, they cannot generate the same level of prosperity and ensure a high quality of life for millions of people in the same way that urban regions do. Only the metropolis has the fundamental assets that together can offer the unique combination of specialization and diversity that stimulates self-sustaining economic development and job creation, with “clustering” and networking dynamics among a diverse group of firms, entrepreneurs, and institutions. The result is interaction that spawns and accelerates the growth of production and exports, and the expansion and spreading of incomes and wealth.

The economic contribution of urban regions is anchored by the major cities in which they reside, which provide a constant stream of creative activity, interaction, specialization, and diversity. In the global economy of the 21st century, cities function primarily in seven distinct and essential ways to generate national prosperity. They are:

- Centers of innovation and services, including advanced and highly specialized services
- Centers of culture, sports, entertainment, conventions, and tourism
- Centers of education, research, and health care

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.

Metropolitan Economic Strategy is a proactive organizing principle that directly depends on regional teamwork and citizenship. Such strategies are explicitly designed to bring together the public, private, and civic sectors across the entire urban region to formulate and carry out a coordinated set of targeted investments in people and places, consciously designed to enable businesses to grow, jobs to expand, and quality of life to improve. Each of the major constituencies — business, government, and community leadership — must closely collaborate for the metropolis to thrive economically, socially, and physically. In just the same way that local, provincial or state, and national or federal governments use economic development plans to guide their actions, so also must the many different communities and constituencies that

comprise an urban region farsightedly engage in such comprehensive planning and united action if they are to compete effectively and succeed in the global economy.

### The case for sustainability, equity, and inclusiveness

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 paradigm change from the traditional understanding of economic growth, that it does not involve environmental protection or poverty reduction. 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 where skilled workers are

as its four major barriers to achieving economic success: high crime, physical deterioration of the inner city and outer townships, the HIV-AIDS pandemic, and lack of sufficient education and skills by a large proportion of the workforce. In Durban, South Africa, the municipal government recently adopted economic development strategies that include a significant focus on policies to raise incomes, increase jobs and business opportunities, and to improve the quality of life for low-income families and neighborhoods.

### Conclusion

Metropolitan Economic Strategy is a new global paradigm and policy initiative that is increasingly necessary to generate and maintain a vibrant and prosperous economy for everyone and every place in the world. Issues that were formerly considered separate and distinct from economic growth and development, including a sustainable living



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.

As the movement for environmental justice rightly argues, these needs are especially pressing for low-income communities, which are generally harmed the most by air and water pollution and exposure to a wide variety of harmful substances and unhealthy conditions. Urban regions such as Curitiba in Brazil have made environmental improvement and protection a centerpiece of their Metropolitan Economic Strategy to compete more effectively in the global marketplace by attracting and growing cleaner industry networks in both manufacturing and services.

Similarly, if a place has high crime, social unrest, disease, and dilapidation, it may become equally unattractive and undesirable to a quality workforce and thriving employers. The recent economic development plan for Johannesburg, South Africa, Joburg 2030, acknowledged the vital economic importance of social equity and investing in disadvantaged people and communities when it listed

environment, social equity, cultural diversity, spiritual values, honoring historical traditions, governance, citizenship, inclusiveness, identity, security, cohesion, and other similar “non-economic” concerns, are now intricately 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 prosperous economy today and in the future urban regions must have a good quality of life. A good quality of life requires a good physical, social, political, and cultural environment. The increasing importance of quality of life for economic prosperity — specifically the 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. They can then work together to design and implement successful economic strategies that invest in their fundamental assets and grow dynamic industry networks. This can only be achieved, however, with good leadership, cooperative governance, and a common sense of purpose and mutual identity.

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