New Strategies for Regional Economic Development
America 2050

America 2050 is a national initiative to develop a framework for America’s future growth and development in face of rapid population growth, demographic change and infrastructure needs in the 21st century. A major focus of America 2050 is the emergence of megaregions – large networks of metropolitan areas, where most of the projected population growth by mid-century will take place – and how to organize governance, infrastructure investments and land use planning at this new urban scale. www.America2050.org

Regional Plan Association

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Introduction: Identifying Underperforming Regions

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Regional Plan Association

In an effort to develop a balanced and sustainable growth strategy for the United States, Regional Plan Association and Lincoln Institute of Land Policy, through their joint venture, America 2050, brought together two dozen scholars and economic development practitioners in March 2009 to explore new economic development strategies for the nation’s underperforming regions. This research seminar, entitled “New Strategies for Regional Economic Development,” gathered people with a range of expertise and diversity of backgrounds, including those from declining, post-industrial regions, rural and frontier communities, and experts on state and federal economic development policy to address strategies for declining and bypassed regions within the nation’s emerging megaregions and the vast “white spaces” in between.

The “white spaces” refers to the more than 75 percent of the land area and 25 percent of the population of the country not included in one of the 11 emerging megaregions. America 2050 began several years ago, organized around the idea that these 11 megaregions, home to three-quarters of the nation’s population, are the economic engines of the nation and the new competitive units in the global economy. These regions will also be home to the majority of the growth in both population and jobs in the next half century. As such, special attention to the specific infrastructure needs of these megaregions, such as high-speed rail systems, is crucial to a nation’s long term interests. However, as the initiative shifts its focus to the development of a national growth strategy, it must address not only the 11 megaregions but also the other 75 percent of the land area and 25 percent of the nation’s population if the process is to result in a strategy that is truly national.

The inspiration to address these “white spaces” in the context of an economic development strategy comes from the territorial cohesion program in the European Union, which promotes balanced economic development. This program has identified “economic hot spots”, rural regions, and declining regions and has explored how these regions work together within the context of the EU. In contrast, the economic development strategies that have been pursued in this country have emphasized productivity over cohesion. As a result, vast areas of the nation have been left behind, while the nation’s economic productivity is concentrated in a declining number of “hot” metropolitan regions.

The primary goals of the March 2009 seminar were to explore ways in which this country could pursue a balanced economic development and growth strategy and to articulate a coherent conception of this balanced approach. This includes a synthesis of different strategies, including economic development, landscape conservation, smart growth, and urban revitalization.

Identifying Underperforming Regions

To ground this conversation in real-world geography and make it less theoretical, RPA sought to identify regions of the country that have underperformed national economic and population growth trends. The resulting mapping exercise described in this chapter builds on America 2050’s previous studies of spatial development in United States. Most of the 11 U.S. megaregions are fast-growing regions, as measured by population and job growth, with the exception of the Great Lakes and Gulf Coast megaregions. This analysis of the nation’s underperforming regions attempts to add another spatial component to our understanding of economic and population trends in America by exploring the geography of economic performance.

The first step in this process was to identify regions that can be described as “underperforming” relative to overall national economic performance. To do so, we identified counties that have not kept pace with national trends over last three decades in terms of population, employment, and wages. Data were collected from the Census and the Bureau of Economic Analysis related to population growth, employment growth, and wages for all of the more than 3,000 counties in the nation from 1970 to 2006.

An index was created based on four criteria to identify underperforming counties:

1) Population change from 1970-2006
2) Employment change from 1970-2006
4) Average wages in 2006

Counties that were ranked in the bottom third in at least three of these categories were considered underperforming.
FIGURE 1: Underperforming Counties

source: RPA analysis of U.S. Census and BEA data

FIGURE 2: Distance from Population Center

source: RPA analysis of U.S. Census and BEA data
Between 1970 and 2006 the nation’s average wage in 2006 was $41,573. Employment for the nation during this period grew by 93 percent, from 90 million to 174 million jobs. Counties that experienced less than 24 percent growth in employment were ranked in the bottom third. The population of the underperforming regions tends to be less educated and older than the population of the nation as a whole (Table 2). Roughly 15 percent of people 25 and over living in one of these 640 counties has a bachelor’s degree, compared to 24 percent nationwide. About 16 percent of the population in these counties is over the age of 65, compared to 12 percent for the nation. These factors exacerbate the challenges in providing transportation, education, and other services in low density, isolated communities.

### Table 1: Ranking of U.S. Counties Underperforming National Rates of Population Growth and Average Wages

<table>
<thead>
<tr>
<th>Rank</th>
<th>Number of Counties</th>
<th>Percent of total</th>
<th>Population 1970</th>
<th>Population 2006</th>
<th>Percent Change in Population</th>
<th>Percent Change in Employment</th>
<th>Percent Change in Wages</th>
<th>Average Wage 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1107</td>
<td>36%</td>
<td>104,587,456</td>
<td>191,345,884</td>
<td>83%</td>
<td>153%</td>
<td>22%</td>
<td>41,828</td>
</tr>
<tr>
<td>1</td>
<td>707</td>
<td>23%</td>
<td>33,699,693</td>
<td>44,099,727</td>
<td>31%</td>
<td>75%</td>
<td>9%</td>
<td>36,850</td>
</tr>
<tr>
<td>2</td>
<td>645</td>
<td>21%</td>
<td>48,416,403</td>
<td>57,284,431</td>
<td>-2%</td>
<td>14%</td>
<td>23%</td>
<td>47,606</td>
</tr>
<tr>
<td>3</td>
<td>419</td>
<td>14%</td>
<td>12,783,669</td>
<td>17,703,076</td>
<td>-8%</td>
<td>14%</td>
<td>-5%</td>
<td>30,576</td>
</tr>
<tr>
<td>4</td>
<td>221</td>
<td>7%</td>
<td>2,115,528</td>
<td>1,733,019</td>
<td>-18%</td>
<td>6%</td>
<td>0%</td>
<td>24,427</td>
</tr>
<tr>
<td></td>
<td>3099</td>
<td></td>
<td>201,602,749</td>
<td>296,166,137</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Criteria:

**Population Change:** Between 1970 and 2006 the nation’s population grew by 47 percent from approximately 200 million to just under 300 million. For counties that ranked in the bottom third, the average growth rate was less than 7.5 percent. Of these counties, 826 had a negative population growth rate.

**Employment Change:** Employment for the nation during this period grew by 93 percent, from 90 million to 174 million jobs. Counties that experienced less than 24 percent growth in employment were ranked in the bottom third.

**Wage Change:** Adjusted for inflation, average wages grew by 18 percent between 1970 and 2006 from $35,151 to $41,573 (in 2006 dollars). Counties in the bottom third saw their average wage grow by less than 6 percent during this time period. Six hundred eighty two of these counties experienced a decline in real wages.

**Average Wage 2006:** The average wage in 2006 was $41,573. Counties with an average wage of $28,039 or 33 percent below the national average were counted under this criterion.

Table 1 displays the results of this index.

Counties that met at least three of these criteria were considered underperforming. Six hundred forty counties were identified as underperforming. This represents just over 20 percent of the total counties but less than five percent of the population. The 640 counties were located in six distinct regions: The Northern Rockies including parts of Montana and Idaho, the Great Plains stretching from the Dakotas in the north to western Texas in the South, the border regions of the Rio Grande Valley in southern Texas, the Mississippi Delta including parts of Louisiana, Mississippi, Arkansas, and Missouri, the “Rust Belt” including western New York, Pennsylvania, Ohio, Indiana, and West Virginia, and the Deep South including parts of Georgia, Alabama, and Mississippi.

These counties are identified in blue on the map in Figure 1. With the exception of the Great Lakes Megaregion, the identified underperforming counties are overwhelmingly located outside of the megaregions. Most of the 640 underperforming counties are rural counties far from metropolitan centers. Of the 79 identified counties located in one of the 11 megaregions, 75 are in the Great Lakes megaregion. These seventy five counties account for nearly 6 million of the 13.4 million total residents in the underperforming counties.

Figure 2 illustrates this isolation of many of the underperforming counties. The map depicts counties by distance from a city or town with a population of at least 50,000. The darkest grey counties contain a city of this size. The lightest grey represents counties that are more than 50 miles from a city of at least 50,000 people. Seven hundred eighty six counties, one-quarter the nation’s counties, fit this description. Thirty five percent of these isolated counties met at least three of the criteria described above representing 44 percent of the total counties identified as underperforming.

### Age, Education, and Employment Characteristics of Underperforming Counties

The population of the underperforming regions tends to be less educated and older than the population of the nation as a whole (Table 2). Roughly 15 percent of people 25 and over living in one of these 640 counties has a bachelor’s degree, compared to 24 percent nationwide. About 16 percent of the population in these counties is over the age of 65, compared to 12 percent for the nation. These factors exacerbate the challenges in providing transportation, education, and other services in low density, isolated communities.

### Table 2: Age and Education Discrepancy between Underperforming Counties and the Nation

<table>
<thead>
<tr>
<th></th>
<th>Percent over Age 25 With Bachelor’s Degree</th>
<th>Population over the Age of 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nation</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>Underperforming</td>
<td>15%</td>
<td>16%</td>
</tr>
</tbody>
</table>

These counties tend to be in agricultural and resource-dependant rural regions, as well as former industrial regions. During the time period measured there was a significant decline nationwide in manufacturing employment; however, manufacturing employment still fell disproportionately in underperforming counties. Nationwide, employment in the manufacturing sector fell by 26 percent between 1970 and 2006 from 19 million to 14 million. This decline is illustrated in the maps in Figure 3. In underperforming counties, employment in this sector fell by 50 percent during this time period from 1.5 million to 750,000 jobs.
Although employment in this sector fell disproportionately, significant decline in manufacturing jobs did not ensure a county’s underperformance. In fact, the three counties with the largest total decline in manufacturing employment, Cook County, Illinois (Chicago) (550,000 jobs lost), New York (375,000 jobs lost), and Los Angeles (330,000 jobs lost) were not underperforming counties. Although these counties experienced large declines in manufacturing employment, all three replaced these lost jobs with jobs in other skilled professions. During that same time period, Cook County experienced total job growth of 500,000 jobs and wage growth on an inflation adjusted basis of 19 percent. Los Angeles added 2 million jobs and experienced real wage growth of 13 percent. And although employment in New York was flat during this time period, real wages grew by nearly 90 percent.
Other counties with large declines in manufacturing employment were not able to replace these jobs with others in high skilled industries. Wayne County Michigan (Detroit), St. Louis, Missouri, and Mahoning County, Ohio (Youngstown), lost 281,000, 92,000, and 30,000 manufacturing jobs respectfully—all large percentages of their manufacturing base. Over this same time period, overall employment also declined in Detroit by 20 percent and St. Louis by 40 percent. Overall employment in Mahoning was flat, although real wages declined by 18 percent, as much of these manufacturing jobs were replaced with jobs in the low wage service sector.

Agricultural factors also had a high correlation with the ranked index. The greater the number of underperforming characteristics a county presented the greater proportion of the county’s land was in agricultural uses and the greater the size of the average farm. On average, underperforming counties had more than 40 percent of their total land in agriculture. Counties that have large farms and a higher percentage of corporate farms also tend to be the counties that have lost population and jobs.

Although these data present a clear correlation between underperformance and farm size, it is important to note that these both might be effects of other confounding variables. Further, total farm employment in these underperforming counties represented only 12 percent of total employment in 1970, suggesting that other economic factors might be a larger force. Further research on the connections to both agricultural and manufacturing employment is needed to draw definitive conclusions on their impacts on underperformance. For this research, correlations are not intended to imply causation, and are offered as an example of many of the potential factors that have caused regions to underperform national trends in population and economic growth.

### Identifying Underperforming Cities and Metropolitan Areas

The county level analysis described above identified six underperforming regions composed of primarily rural counties. These counties are generally located outside of the megaregions and in relative isolation from metropolitan centers. The findings of the first part of the identification exercise seem to confirm the general observation that metropolitan areas have fared significantly better than rural areas in terms of economic and population growth in recent decades. However, this county level analysis fails to capture the significant variation in economic performance within the megaregions.

In order to locate the cities that have experienced relatively lower population and economic growth rates in recent decades, the analysis of underperforming counties was replicated at the city level. Thus, the second part of the identification exercises aims to inform a national development strategy that more specifically targets urban revitalization. For the purposes of this study, cities are defined as urban areas with a population of at least 50,000 people.

The same method used on counties (with some slight variations due to availability of data at the relevant geography) was used to identify underperforming cities. The criteria applied included: 1) population change 2) number of people employed 3) average per capita income change 4) average per capita income in 2007. Cities that ranked in the bottom third in at least three of the four categories were considered “underperforming”. For comparison purposes, “high-growth” cities were defined as cities that ranked in the top third in at least three of the categories.

### The Criteria

**Population Change:** Between 1980 and 2007 total urban population grew by 35 percent from approximately 81 to 109 million people. The underperforming cities experienced a population decline of 9 percent while the population in high-growth cities grew by 176 percent.

**Employment Change:** The number of people employed grew by an average of 103 percent for all cities. For the underperforming cities the growth rate was 44 percent and for high-growth cities 292 percent.

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1. The county level analysis relied on data from the Bureau of Economic Analysis to determine economic and employment change. Since this data is not collected at the city level, data on employment and income was collected from the Census of Housing and Population and the American Community Survey 2005-2007 and 2007 for the purposes of this analysis. Moreover, the historical redrawing of city boundaries complicated the collection of comparable data for 1970 and 2007, so 1980 was chosen as the base year for the analysis.
FIGURE 4: Underperforming Cities with Populations Greater than 50,000

source: RPA analysis of U.S. Census and BEA data

FIGURE 5: Underperforming Cities in the Northeast Megaregion

source: RPA analysis of U.S. Census and BEA data
Underperforming cities outside the megaregions tend to cluster near the edges of the underperforming counties, including the regions of the Great Plains and the Mississippi Delta.

Of the 13 million people who live in underperforming cities in the megaregions, the Northeast and Midwest alone account for 11 million residents. Twenty-six cities were identified as underperforming in the Northeast megaregion representing 35 percent of all cities in the megaregion and accounting for 26 percent of the urban population (Figure 5). Fifty-three cities were identified as underperforming in the Great Lakes megaregion representing 43 percent of all cities in the megaregion and accounting for 39 percent of the urban population (Figure 6).

In both the Northeast and the Great Lakes megaregions the share of underperforming cities is greater than the share of the urban population living in them. This reflects the fact that many of this underperformance occurs in small and medium sized cities within the megaregions, with the notable exceptions of Philadelphia and Detroit, while the major population centers in these regions including New York, Boston, and Washington D.C. in the Northeast and

**FIGURE 6: Underperforming Cities in the Great Lakes Megaregion**

source: RPA analysis of U.S. Census and BEA data

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**Average Per Capita Income Change:** Adjusted for inflation average per capita income grew by 37 percent from $18,700 to $25,600 for high-growth cities and for cities in general. The growth rate was 17 percent for under underperforming cities.

**Average Per Capita Income in 2007:** The average per capita income for the urban population was $26,000 in 2007. It was $19,000 and $30,000, respectively, for underperforming and high-growth cities.

**Underperforming Cities**

One hundred twenty-six of a total of 673 cities were identified as underperforming. Seventeen million people or 16 percent of the total urban population lived in one of these 126 cities. While 72 percent of the underperforming cities are located within the megaregions, underperforming cities account for only 17 percent of the total number of cities within the megaregions. In comparison, underperforming cities constitute 25 percent of the total number of cities outside the megaregions.
Chicago, Indianapolis, Minneapolis, and Columbus in the Great Lakes have kept up with national growth trends the last three decades and thus were not identified as underperforming.

Identifying underperforming and bypassed regions can help inform federal programs to promote regional economic development strategies. Different strategies need to be tailored for the underperforming cities both within and outside the megaregions and the rural regions far from metropolitan centers. Although the eleven megaregions are home to more than 70 percent of the nation’s population and economic activity, and will require major investments in infrastructure tailored to their specific needs, a national economic development strategy must also focus on weaving these bypassed and underperforming regions back into the national economy. This includes improving physical connections between the metropolitan centers within megaregions and the rural and frontier lands that surround them, investments in technology so residents can engage in the global economy while living in rural regions, and providing place based economic development incentives so residents of these regions who want to stay in these areas are not forced to look elsewhere for economic opportunity. In the following sections, two research papers explore these issues in further detail.

In, Toward a National Strategy for Underperforming Regions, Robert D. Yaro outlines a proposed national strategy for revitalizing underperforming regions of the United States. The goal of this strategy is to ensure that every area of the country has the opportunity to participate in the nation’s growth and prosperity over the coming decades. This paper outlines some of the principles and best practices that have proved successful in turn-around efforts in both the United States and other countries and which should drive a new national commitment to revitalizing America’s bypassed cities and regions. The principles and best practices included in this paper are drawn from the author’s four decades of experience in working with underperforming urban and rural communities across the United States and in Europe, Japan, and North Africa.

In the third section, Spatial Strategies for U.S. Economic Development, L. Nicolas Ronderos discusses current economic development issues and policy approaches in the United States and documents the positive and negative outcomes of such efforts at the national, state and local levels. The paper describes current investment programs at the U.S. Economic Development Administration as a case study of current development practice. The paper then summarizes a spatial economic development point of view focusing on aspects of economic activity. Finally, the paper discusses the current economic development issues and policies outlined in the first section in the context of the spatial point of view for planning and implementation. The paper provides an appendix of current tools for economic planning used in the United States, documenting their spatial implications where applicable.

In the final section, a summary of the proceedings of the March 2009 seminar is provided.
Toward A National Reinvestment Strategy for Underperforming Regions

Robert D. Yaro
President, Regional Plan Association
Professor of Practice, University of Pennsylvania

Overview:
This paper outlines a proposed national strategy for revitalizing underperforming regions of the United States. The goal of this strategy would be to ensure that every area of the country has the opportunity to participate in the nation's growth and prosperity over the coming decades. This paper outlines some of the principles and best practices that have proved successful in turn-around efforts in both the United States and other countries and which should drive a new national commitment to revitalizing America's bypassed cities and regions. The principles and best practices included in this paper are drawn from the author's four decades of experience in working with underperforming urban and rural communities across the United States and in Europe, Japan, and North Africa.

The reality is that in an era of tumultuous economic transition, every place has to reinvent itself, by creating new economic activities to replace those that are in decline. The most successful regions of the country are those that anticipate and lead in these transformations. Places such as New York, Boston, the San Francisco Bay Area, Seattle, Denver and Chicago have done this successfully, making the transition from economies driven by traditional manufacturing and defense industries to economies driven by advanced services and high technology. For example, Cook County (Chicago) Illinois has lost more than half a million manufacturing jobs since 1970, more than any other county in the nation. However, over that same time period, the county has added more than half a million total jobs replacing those lost in manufacturing with jobs in other sectors, keeping the economy of Chicago and the county thriving and relevant into the new century. Places that have not made this transition, such as the industrial Midwest and the Great Plains, now find themselves in decline. Wayne County (Detroit) Michigan lost nearly 300,000 manufacturing jobs and was unable to replace these with jobs in other high skilled industries experiencing decline in overall employment as well.1

How can the federal government serve as a catalyst for the transformation of declining regions? Norman Tebbit, a member of British Prime Minister Margaret Thatcher's cabinet once famously urged the unemployed to "Get on your bike and look for work!" – in other words, move to places where opportunities were greater.2 That is, in effect the current U.S. policy on this issue. Should the federal government promote outmigration from declining regions in the United States, or should it take a more activist approach to rebuilding these places, as Ms Thatcher's successors have done. This paper will argue that a more activist approach is urgently needed.

The need is, in fact great: vast rural and urban regions across the United States have been underperforming economically for decades. The largest of these places, in terms of population and economic potential is the seven-state Great Lakes megaregion stretching from Northern Minnesota to Western New York and Pennsylvania. With a population of 54 million, The Great Lakes megaregion has lost millions of manufacturing jobs in the automobile and related industries since 1990 and much of the area's industrial economy is now in free fall. Since 1990 this megaregion has lost more than 1.2 million manufacturing jobs and lost more than 2.2 million since 1970, bringing the share of manufacturing employment down from 29 percent of total jobs to 11 percent over the past three and a half decades.3

The nation's largest underperforming rural region is the Great Plains, encompassing parts of ten states from the Dakotas and Montana to West Texas. Large areas of the Plains have also been experiencing decline for decades, as agriculture has been transformed from a labor intensive to a highly mechanized activity, requiring ever smaller numbers of agricultural workers. As the number of farms and farm households has declined, hundreds of formerly productive rural centers have experienced severe, or in many cases, terminal decline. Many Plains counties now have population densities far below those that they had a century ago. Half of the nearly 1,000 counties that comprise the ten Great Plains states have lost population since 1970, with over a million people leaving this sparsely populated region.4

The Appalachians, encompassing portions of ten states extending from New York's Southern Tier to Northern Alabama, have been depressed for decades, as sustained losses in mining and related industries have led to sustained population loss. Another large underperforming rural region is the

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1 Bureau of Economic Analysis: “Total full-time and part time employment by SIC industry, NAICS industry”.
2 Ibid.
4 Bureau of Economic Analysis: “Total full-time and part time employment by SIC industry, NAICS industry”.
Mississippi Delta, encompassing portions of five states between the Missouri Boot Heel and Louisiana. Other rural counties across the Deep South and the Rio Grande Valley and dozens of urban and isolated rural counties across the country have also experienced decades of economic and population decline.

But regional decline isn’t isolated to these places. Many second tier cities and smaller metropolitan regions in the Northeast and Midwest, as well as other areas of the country have lost their “raison d’etre” as industries have declined and business services, utilities and other functions have consolidated in larger metropolitan centers. By a number of measures, including household income, educational attainment and levels of unemployment, these places have some of the nation’s lowest levels of economic attainment. Many of these places will never regain the population and employment that they had at their peak of prosperity in the mid-to-late 20th century. But they do have the potential to stabilize their employment levels and support smaller populations with a decent standard of living and economic opportunities.

The decline of many of these places has also had a disproportionate impact on minority populations: many declining rural areas of the Northern Plains have large concentrations of Native Americans; the poorest areas of the Delta and Deep South and many declining northern cities are predominantly African American, while the poorest areas of the Rio Grande Valley and declining areas of the Southwest have large Latino populations.

The Politics of Economic Transformation

The Obama Administration’s top priority has been promoting recovery from the current economic crisis. Consequently its first large legislative action was the $787 billion American Recovery and Reinvestment Act enacted by the Congress in February 2009. For the most part this program focuses on short term stimulus efforts. Unfortunately, however, short-term stimulus measures will not address the economic fundamentals of large areas of the country that have experienced recession or even depression conditions for years, or in some cases decades. But this legislation did put a “toe in the water” in promoting longer term economic transformation, with major new investments in broadband, power grid and transportation infrastructure. To transform the nation’s underperforming regions will require a large new commitment to policies, programs and investments over decades. But the whole nation will not return to prosperity unless a strong and sustained national commitment is made to addressing this need.

By contrast, in Europe, Japan, Korea and China, the European Union and national governments have invested hundreds of billions of dollars in infrastructure, industrial land reclamation, urban re-greening, technology, higher education, and quality of life strategies to transform similar places, with strikingly positive results. A number of formerly bypassed and severely distressed cities and regions, in places like Glasgow, Scotland; Dublin, Ireland; Lille, France; Bilbao and Barcelona, Spain; and the Ruhr region in Germany, have been transformed by these initiatives.

The Chinese government is now investing vast sums in a comprehensive strategy to rebuild the economy of Manchuria, China’s “rust belt.” These precedents are described in additional detail below.

In the United States, by comparison, the federal government has virtually ignored the needs of similar places for decades, relying on out-migration to address the problems of poverty and unemployment in its underperforming places. Despite this policy of benign neglect at the national level, a growing number of struggling U.S. cities and regions—such as Pittsburgh, Chattanooga and Providence, are succeeding in their own bottom-up “turn-around” strategies, providing inspiration and lessons learned to other places seeking to follow in their footsteps.

Rebuilding the economies of these places will require special skills and innovation: while most of the planning profession is focused on growth management, the challenges facing these places requires a new expertise in “change management” – strategies to stabilize, and then revitalize, underperforming cities and regions.

The American Tradition of Regional Economic Development

While national planning in the United States would appear to be, in Robert Fishman’s words, “an act of bureaucratic hubris, best left to the French,” the reality is that a national regional development strategy would be consistent with the finest tradition of American politics and policy. Since the earliest days of the Republic the federal government has promoted strategies to improve the economy of underdeveloped areas of the country. George Washington promoted inclusion of the interstate commerce clause of the Constitution because of his personal frustration in attempting to build the Chesapeake and Ohio Canal in Maryland and Virginia under the Articles of Confederation.

In 1808 at the direction of President Thomas Jefferson, Treasury Secretary Albert Gallatin prepared a national plan to promote the development of the recently purchased lands of the Louisiana Purchase through the creation of a network of national roads and canals. Jefferson was also interested in strengthening the links between the newly acquired lands in the West with the already developed areas of the East Coast to avoid increased sectionalism. The financing mechanism for these improvements proposed by Gallatin—the use of federal land grants to private investors building these facilities—later provided the financial underpinning to America’s great 19th century railroad construction boom, the Homestead Act and the Land Grant university system.

During the Civil War President Abraham Lincoln furthered these initiatives when he promoted development of the Trans-Continental Railroad. Lincoln promoted this rail link as a means to develop the West and to tie it more closely to the Union. He also promoted adoption of the Homestead Act to promote settlement of vast underdeveloped areas of the West by veterans of the War. And he

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advanced the Morrill Act to create a nationwide network of public universities to bring higher education to the West, utilizing Gallatin’s land grant model to promote creation of the national network of public universities.7

In 1908, President Theodore Roosevelt directed Forest Service Director Gifford Pinchot to prepare a second national plan with the dual goal of preserving and developing the nation’s natural resources and promoting development of its underperforming regions. Among the plan’s strategies were proposals to provide water for power generation, irrigation and navigation and to build a nationwide network of national parks and forests.8

Many of these projects were implemented by TR’s cousin President Franklin Roosevelt, through the public works programs of the New Deal. These included hydro-power, navigation, irrigation, flood control and economic development initiatives in river valleys across the South and West. The development of the Tennessee Valley Authority, Colorado River Project, Bonneville Power Administration and other New Deal agencies transformed the economies of vast areas of the country. When the World War II defense build up began in the late 1930s, much of this activity was concentrated in these same areas, with their readily available power resources.9

Other New Deal public works projects developed new destinations in the National Park and Forest systems from coast to coast with long-term economic development benefits for formerly isolated and poor rural regions. Notable among these were the Timberline Lodge in Oregon’s Mount Hood National Forest, the Natchez Trace Parkway in Western Tennessee and Mississippi, and the Skyline Drive and other improvements in the Great Smoky National Park of Eastern Tennessee, North Carolina and Virginia.

New Deal-era public works programs were coordinated by the National Resources Planning Administration, an executive agency reporting directly to FDR, and chaired by is uncle Frederic Delano. The NRPA also proposed two key initiatives that promoted post-war development of the Sunbelt:

• The 1939 proposal for a “National Toll Road and Free Road System,” which called for creation of a nationwide limited access highway system. This proposal provided the inspiration for the 1956 National Defense Interstate Highway Act;10 and

• The 1942 proposal for what became the GI Bill of Rights two years later, which created deep subsidies for postwar housing and higher education for returning veterans.

These initiatives, along with other federal subsidies for middle-class suburban housing, including the mortgage tax deduction on federal income taxes, played an important part in creating late 20th century metropolitan America, with its bands of suburban middle-class housing and development, all of it organized around the Interstate highways.

Since the New Deal vast areas of rural America have also received hundreds of billions of dollars through agricultural subsidies, promoted by senators from farm states. In fact the United States Senate, with its two senators from every state, including those with small rural populations, has promoted vast federal spending in some of the nation’s most isolated areas. But in the absence of a coherent economic agenda for bypassed rural and urban regions, much of this money has been spent ineffectively.

### Toward a National Reinvestment Strategy for Underperforming Regions: European Precedents

What would a 21st century development strategy for underperforming U.S. regions look like? It could build on both U.S. historic and contemporary European precedents. The European Union has devoted most of its resources for decades to the revitalization of underperforming urban and rural regions.

The EU’s two largest programs are targeted to these places:

- The **Common Agricultural Policy** (CAP), which allocates tens of billions of Euros annually to rural regions across Europe. The CAP has been reformed in recent years away from funding for commodity production to support for value added agricultural production and landscape management.11

- The **EU Structural fund** directs vast amounts of money to regeneration of bypassed regions across Europe. Structural fund investments in infrastructure, higher education and environmental improvements in places like Ireland, Spain, Portugal and Eastern Germany have transformed the economic prospects of these places. These funds have been supplemented by national investments in industrial and urban land reclamation, housing and quality of life improvements in such places as Germany’s Ruhr region, Northern England and Scotland and the former steel producing region of Northern France. As part of the Structural Fund, the EU has also promoted cross border regional economic development strategies, demonstration projects and institutions through a program called Interreg.

In addition, the EU has also promoted development of a “Trans European Network” of passenger and goods movement systems, which has directed hundreds of billions of Euros to high-speed rail, highway, bridge, tunnel and freight links designed to promote the integration of formerly isolated areas of Europe into the Continental-scale economic system.12

Across Europe, national governments have complemented EU development programs with their own strategies to revitalize underperforming regions and communities. In the United Kingdom, for example, despite her skepticism about government intervention to promote regional development, in the 1980s Prime Minister Margaret Thatcher

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7 Ibid.
8 Ibid.
9 Ibid.
10 Ibid.
12 http://ec.europa.eu/ten/index_en.html
and her Secretary of State for the Environment, Michael Haseltine, created metropolitan development corporations in Liverpool, Manchester, Glasgow and other cities to lead vast urban regeneration schemes. They also promoted a nationwide network of “Groundwork Trusts” in dozens of communities across the U.K. to reclaim former industrial sites for new housing, commercial development and other uses. These initiatives have been sustained by subsequent U.K. governments and have transformed a number of cities and regions across northern England, Scotland and Wales.

Prime Ministers Tony Blair and Gordon Brown have continued these efforts, through national and regional development efforts in underperforming areas of the United Kingdom. The largest of these is a program called “The Northern Way”, which is a comprehensive program of economic development in a network of depressed regions stretching from Liverpool across Northern England to Newcastle-on-Tyne. These strategies have been supported by national transportation, housing, brownfield reclamation and related policies designed to reinvigorate underperforming areas.

In Germany, the Federal Government and state governments are engaged in similar efforts across the former Eastern Germany and in declining industrial regions, such as the Ruhr Valley. In Eastern Germany, a “Shrinking Cities” movement has stabilized a number of cities and begun to integrate them into the national and European economies. In the Ruhr, once Germany’s most depressed former industrial region, a comprehensive program of urban greening, derelict land reclamation, park and cultural development, higher education and other activities has transformed the image and quality of life of the region, reversing generations of population and economic decline.

National governments in Japan, Korea and China are pursuing similar strategies. The Chinese government, for example, is engaged in a comprehensive strategy to revitalize Manchuria, China’s “rustbelt.” In fact, the United States is virtually alone among industrialized nations in not having some kind of national program to revitalize bypassed and underperforming regions. It would appear that all of our competitors have reached the conclusion that it undercuts their competitiveness to leave large regions and populations behind. If the federal government were to create a similar regional economic development strategy for underperforming regions of the United States, it could incorporate principles and practices derived from these European and Asian precedents.

Envisioning a U.S. Regional Development Fund

A U.S. Regional Development Fund, equivalent to the European Structural Fund could be designed to promote regional economic development strategies for underperforming regions. Based on both U.S. and European precedents, this fund should be substantial in size. But a substantial portion of the dollars needed for a U.S. Structural Fund could come from existing, poorly targeted agricultural subsidies and Congressional transportation, economic development and other earmarks that are being wasted in the absence of a more coherent economic development strategy for bypassed regions. These currently add up to tens of billions of dollars annually.14 15

Economic development strategies must be targeted to meet the needs of individual regions—there are no “one size fits all” solutions to the problems facing these places. Rural and urban regions require very different strategies, as outlined below.

Rural Regional Development

Revitalizing underperforming rural regions will not be easy or happen immediately. The fundamental issue will be strengthening the economic and transportation links between rural areas and the megaregions and major metros that are the drivers of the national economy. The large distances in the United States will make this more difficult to achieve than it has been in Europe, but the internet and transportation improvements being proposed by America 2050 and other groups could lay a foundation for these connections.

Better targeted agricultural and alternative energy programs would begin to rebuild resource based economies in these places. But a comprehensive strategy of promoting resource-based, value-added economies in rural regions, and taking steps to connect them with metropolitan markets will be needed to stabilize and then revitalize these areas.

A good place to begin would be reforming existing agricultural subsidies, which currently direct tens of billions of dollars to a handful of commodities with little economic benefit outside a few isolated regions. The current agricultural subsidy programs could follow European precedents, and be restructured to support small farms and higher value and value-added agricultural products that would add more to the economy of rural areas. These subsidies could also be used to promote resource conservation and landscape preservation activities in areas with special natural or scenic features. While the corn ethanol subsidy programs have demonstrated the potential for bio-fuel subsidies to be misallocated and inefficiently used, alternative energy subsidies could be targeted to underperforming rural regions and meet both regional development and national alternative energy goals. With its ample sunshine, wind and arable land resources, the Great Plains, for example, could become a focal point for solar, wind and cellulose based biomass production—allowing the Plains to become a veritable Saudi Arabia of alternative energy. Funds included in the 2009 stimulus bill for modernization of electric grids could be used to link even isolated wind and solar power regions with metropolitan energy markets.

Beyond this it will be necessary to create a critical mass of population, economic activities and amenities in designated rural centers. Other smaller, less successful centers may continue to decline, or in some cases, simply disappear. It will be necessary to re-magnetize designated growth areas to attract and retain residents, and in parti-14  http://www.obpa.usda.gov/budsum/fy09budsum.pdf
lar the well educated, young people who drive innovation and entrepreneurship. And these people have been leaving isolated, underperforming rural regions for decades. In rural counties (defined as a county more than 50 miles from a city or town with a population of at least 50,000) only 17 percent of people have a bachelor’s degree, compared to 27 percent in counties with a city of at least this size. These rural counties also tend to be older with 15 percent of their population over the age of 65, compared to 12 percent for urban counties.16

With this goal in mind, several key investments would be necessary to revitalize these communities and their surrounding rural regions. These would include investments in broadband communications, higher education, the public realm, historic preservation, cultural activities, as well as subsidized loans for small business creation. In addition, improved transportation links to rural communities would be needed to strengthen their connections to the closest metropolitan area, as described below in the section on the proposed Trans-American Network.

A renewed commitment to the Land Grant University system could promote the creation of new campuses in designated rural growth centers, or expansion of existing campuses in these places. One possible funding source for this expansion would be the original basis for the Land Grant Universities more than a century ago: sale of federal lands. In a number of places in the West, such as Las Vegas, Phoenix or Southern California, public lands could be sold to permit the planned expansion of major urban centers, with the proceeds distributed among the states for new or expanded Land Grant campuses.

Where there are existing or potential national parks and forests, or other scenic and recreational resources, it may be possible to promote tourism in rural centers around these attractions. In the late 1980s the National Park Service identified dozens of landscapes across the country that could become new units in the National Park system, or “partnership parks” developed with the states. Many of these could become focal points for new tourism development in underperforming rural areas.

Communities adjoining these parks could serve as gateways to these recreational destinations, providing visitor and tourism services, as has occurred in a diverse range of communities in places such as Springdale and Moab, Utah near Zion and Arches National Parks, respectively. And these communities could be given a “first shot” at concessions in nearby national parks and forests, with the goal of having local firms and residents provide jobs and other services in these facilities. This would retain the economic “multipliers” of these activities in rural communities, rather than in distant metropolitan areas, as is presently the case with most national park concessions.

In 1987 Rutgers University Professors Frank and Deborah Popper proposed that a vast 139,000 square mile “Buffalo Commons” be created in the Great Plains, which would encompass many elements of the strategy outlined above.17 The Popper’s proposal calls for returning vast areas of un-productive farmland to its natural state as a prairie, with flora and fauna, including American Buffalo herds, which were present in the Plains prior to European Settlement in the 19th century. These restored landscapes could become a focal point for tourism in the Plains. They also call for revitalization of viable Plains town and city centers as a part of this broader strategy. While the initial reaction from Plains residents to these proposals was overwhelmingly negative, over time the Poppers have gained significant political support for these concepts. The Buffalo Commons concept should be adopted, at least through a series of demonstration areas.

Important lessons could also be learned from European experience in revitalizing isolated rural centers and regions. In France, for example, national and regional government resources have gone into a broad range of investments in housing, retail development, historic preservation, and public realm improvements, cultural, higher education and other improvements in small and mid-sized provincial cities and towns. As a result, isolated regional centers and small towns in places formerly depressed regions like Lorraine or Brittany have become vital, magnetic places, and have attracted a new generation of well-educated young people. These places provide a range of employment, services and cultural and other activities to their rural hinterlands, lifting up the economy of whole rural regions.

- The key to revitalizing bypassed regions will be integrating them into metropolitan and global markets to sell goods and services for which they have a unique competitive advantage. The internet and broadband communication provide new opportunities for entrepreneurs to sell products and services in distant metropolitan markets, in the United States and globally. Here are three examples with which the author has had personal experience:

- In Utah and Arizona, Hopi and Navaho crafters used to sell bolo ties and other hand crafted jewelry at retail outlets on or near their reservations, with limited seasons and narrow margins. Today, websites like bolo.com sell these products year-round, and all over the world. This allows crafters to sell directly to customers without going through wholesalers or retail markets and to reach markets that were formerly not open to them.

- In Brooklin, Maine, an isolated Downeast coastal town with a population of 900 people, 14 wooden boat builders employ hundreds of skilled craftsmen and sell high quality boats all over the world, using modern composite technologies developed at the University of Maine. Also in Brooklin is WoodenBoat Magazine, a bi-monthly industry trade and enthusiast journal with a world-wide circulation of more than 100,000. While Internet access is limited in Brooklin, wireless broadband access is available at the village library and WoodenBoat Magazine provides boat builders with connections to customers worldwide.

16 United States Census, 2000
17 Popper, Deborah Epstein, and Frank J. Popper, “The Great Plains: From Dust to Dust.” Planning December 1987
Revitalizing Former Industrial Regions

Federal leadership and sustained investments will be essential if the nation is to return underperforming places to productivity and prosperity, but the federal role cannot take the place of bold, sustained local leadership from government as well as the business, civic and philanthropic sectors. The experience in U.S. and European industrial cities and regions is that these transformations require decades to achieve and sustained leadership from all levels and all sectors. Successful transformations also require a broad range of strategies and investments – in effect, “silver buckshot” not a silver bullet.

Perhaps the first step is to recognize that these places will require different, and more diverse economies if they are to be brought back to prosperity. And most of them will have smaller populations than they did at their peak decades ago.

The author’s own experience in working in underperforming cities and regions and his study of the process that has been used in other U.S. and European places that have returned to prosperity suggests a set of principles and best practices which can drive a national recovery program for underperforming industrial regions and cities. These are outlined below.

1. Building on Economic Foundation and Attracting Skilled People
   a. Population Growth: In a nation that will add 140 million new residents and double or even triple its GDP by 2050, the challenge is to “re-magnetize” underperforming places to attract a fair share of new Americans and economic activity. Unless effective measures are taken at the local, regional, state and federal levels, these places will continued to decline putting even more pressure on successful regions and megaregions.
   b. Skilled Workers: Urban and regional economies are built around creative, entrepreneurial, skilled people. Successful places are the ones that can attract and retain these people, and quality of life is the key to doing this. The goal should be to create an inventive, entrepreneurial economy to transform the prospects of these places.
   c. Education: World class higher education, arts, cultural and medical institutions play a key role in attracting and helping to retain creative people. “Eds and Meds” are also the major employers and economic foundations in many bypassed and underperforming cities and regions. They can provide leadership and a technology and “placemaking” focal point for urban and regional economic development efforts.
   d. Immigration: Underperforming places need to attract new people from outside. Tolerance and acceptance of diversity is important to attract creative people from diverse cultures and lifestyles.
   e. Networks: Building informal networks of entrepreneurs and venture capitalists can nurture creative people and the ideas and technologies that form the foundation for new industries and enterprises. Several states and regions are adopting “open network” economic development strategies instead of traditional “top-down” models. These strategies can be used to rebuild the manufacturing economy of places like the Great Lakes megaregion.

2. Place Matters
   a. Self Image: The first step in transforming bypassed and underperforming places is to turn around the self-image of the place, by transforming the public mood from one of despair and decline to self-confidence and hope in the future. To achieve this transformation requires leadership, a well-constructed plan and physical evidence of positive change.
   b. Existing Strengths: Most regions have existing concentrations of industries, technologies and skilled workers. Underperforming regions can build on these strengths to sustain current industries and create new ones.
   c. Quality of Life: Underperforming communities need to take steps to improve their quality of life through urban regeneration and placemaking, re-greening former industrial sites, and creating urban and regional parks and greenways. The key to success of urban and regional regeneration efforts is identifying, protecting and rebuilding around the unique sense of place and history that is inherent in each place.
   d. Urban Revitalization: Revitalized downtowns are the public “face” of the community and region. If they are rundown and unsafe they project an image that will undercut the civic pride and self-image of current residents and repel newcomers. Revitalized downtowns can play a critical role in creating or recreating quality of life in bypassed cities and regions. Downtowns contain the cultural institutions, urban housing, restored historic buildings and districts and the public spaces and “edge” that are needed to attract and retain creative people.
3. Leadership and Partnerships

a. Federal Role: The federal government should support and incentivize successful local, and regional and state efforts by developing a sustained national initiative to revitalize bypassed cities and regions. This program should include targeted investments in infrastructure, industrial land reclamation, downtown revitalization, urban re-greening, support for higher educational and medical institutions and high-speed rail and other transportation improvements.

b. Regional Role: Successful urban strategies need to be embedded in regional plans designed to curtail sprawl and focus housing and jobs in centers.

c. Collaboration: Leadership can come from government, business, and labor, civic or philanthropic sectors. Ideally, all of these sectors will collaborate to develop and implement recovery strategies, and the leadership of chief elected officials (mayors, county executives and governors) is essential. Building alliances of a diversity of community leaders that can be sustained over time is the key to the long-term success of rebuilding and transformation efforts.

Transforming the relationships between the sectors, for example by building new collaborative relationships between business and labor, can provide a foundation for growth and renewal of local and regional economies.

d. Planning: Successful plans need to be built around a bold and compelling vision, major policies and investments that can achieve this vision, and early action projects that can make the plan real, immediate and credible.

e. Sustained Commitment: Transformation of underperforming places is not for the faint of heart or the impatient. The transformation of places that have been in decline for decades will require years, and often decades of concerted, consistent and hard work. This will require sustained bi-partisan leadership at the federal, state and local level, which must be sustained through political and economic cycles.

4. Infrastructure

a. Brownfields: The federal government should partner with states and cities to create a vast program of industrial land reclamation and natural resource restoration. Hundreds of thousands of acres that are now eyesores and public health hazards could be put to new productive use and could also become the core of new urban parks and preserves in cities that have lost a third or more of their population and employment.

b. Transportation: Strengthening the links to large and successful nearby metropolitan regions through improved transportation can invigorate the economy of bypassed and underperforming cities and regions by plugging them into larger regional housing and employment markets. In Europe and Asia, new high-speed rail (HSR) networks are being used to reconnect bypassed places with growing cities and megaregions. The America 2050 initiative has proposed that a new Trans-American Passenger Network of rail, bus and road improvements be made. The network includes proposals for new HSR and other improved rail and bus services that would improve links to underperforming cities and rural and industrial regions.

c. Smart Growth: Cities and regions need to be redesigned including sidewalks, bike lanes, transit, and dense mixed use centers.

Conclusion

While the nation’s and the Obama administration’s immediate focus is on the urgent need to address the current economic crisis, its attention must soon shift to creating a long-term commitment to returning America’s underperforming regions and communities to prosperity. Ultimately, the whole U.S. economy will be held back if large areas of the country are not fully participating in the national economy and sharing in the nation’s prosperity. In the absence of a coherent strategy the Congress and Senators from rural states will continue to direct earmarks to these places anyway, but these expenditures will have little chance of creating the transformation that is required.

President Obama’s Chief of Staff, Rahm Emmanuel has famously said “You never want a serious crisis to go to waste.” Well, there is a serious crisis in the vast areas of the country that have become detached from the national economy and the nation’s prosperity. Now is the time to address this crisis.

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Regional Planning designates the proper adjustment of areas to uses.¹

Introduction

This paper discusses current economic development issues and policy approaches in the United States and documents the positive and negative outcomes of such efforts at the national, state and local levels. It also describes current investment programs at the U.S. Economic Development Administration as a case study of economic development policy in practice. The paper then summarizes a spatial economic development point of view focusing on aspects of economic activity and a local economy’s ability to bring in new dollars. Finally the paper discusses the current economic development issues and policies outlined in the first section in the context of the spatial point of view for planning and implementation. The paper provides an appendix of current tools for economic planning used in the United States, documenting their spatial implications where applicable.

Current U.S. Economic Development Issues and Policies

Theories, policies and economic development tools in use today were developed and have been implemented with some degree of consistency since the second half of the 20th century.² Lessons learned from these decades of economic development practice allow us to identify positive and negative outcomes and areas of improvement for current economic development practice.

Positive outcomes include:

- Leveraging private investment for economic development;
- Public sector human and fiscal capacity-building initiatives that have increased the ability of governments to improve their communities;
- Improved leadership at the state and local levels to better engage stakeholders in planning for the future;
- Consolidation and expansion of economic development tools in response to performance and track records;
- Successful governance partnerships in which public and the private sectors share the responsibilities and accomplishments of policy making.

Negative outcomes include:

- Uncoordinated regional land use policy, resulting in sprawl that is detrimental to the wellbeing of communities as it disperses residential activity, increases costs of living, and costs of operation for governments. This uncoordinated land use policy also contributes to environmentally and economically unsustainable settlement patterns.
- An exclusive focus on commercial and industrial development in urban areas and residential development in suburban and rural areas creating a spatial mismatch between place of work and place of residence that contributes to economic underperformance;
- A narrow understanding of economic development exemplified in a “silo mentality” resulting from an inability to think holistically about the problems and solutions at hand;

Areas of improvement for economic development include:

- The need for more systematic, proactive, and spatially-focused initiatives to improve upon the business attraction and retention approach of economic development;
- The engagement of businesses and residents of economically underperforming areas in planning and implementation of economic development strategies;
- A focus on technology and infrastructure-based strategies to bring physical assets to communities;
- The broadening of education and workforce development to increase the skills of the labor force;

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• The building of partnerships between stakeholders to leverage resources and amplify the potential success of strategies;
• The creation of innovative financing mechanisms to leverage private investments;
• And, capacity building in the economic development profession to attract and create leaders in the field. 3

In recent years, consolidation of the profession has also led the way to identifying distinct approaches to design and implement economic development strategies at the national, state, and local levels. These are not inclusive of every strategy being pursued currently, but represent the general activities under the rubric of economic development and are provided here as a summary of current trends in the field.

National Economic Development Approaches4

• Reindustrialization Approaches: A nationwide reindustrialization policy to rebuild the nation’s industrial stock by growing specialized, new, globally competitive industries through a new set of targeted tax incentives and national financing of infrastructure development.
• Free-market Approaches: A “small government” and deregulation policy that aims to free trade restrictions and decisions by the private sector to encourage the most viable economic activities that would take root on their own to succeed.
• Local Economic Development: A locally based national policy that increases community control and promotes endogenous growth of economic activities at the municipal, county and state levels through market-based and regulatory approaches.

State Economic Development Approaches5

• Business Recruitment & Attraction: Targets outside businesses by offering them incentives to move to the attracting community, usually in competition with others.
• Business Retention & Expansion: Focuses on offering incentives to existing businesses in a community and providing loans and grants for expansion.
• Cluster Development: Focuses on using regional resources to support the growth of industrial clusters of related firms linking technology, human resources and capital, rather than dealing with firms one by one.

These different approaches are applied in practice with different degrees of emphasis depending on the region and locality, and provide an example of common economic development practices. In this context the existing investment policy at the U.S. Economic Development Administration (EDA) within the Commerce Department provides a case study of a bundled set of programs targeted to promote innovation and competitiveness to be assessed through the outcomes, areas of improvement and approaches identified above. An informal survey and literature review of state and municipal programs suggests comparisons to national policy, especially in its use of diverse strategies to accomplish results.

EDA’s Investment Programs: A Case Study

EDA by its own definition targets assistance to attract private capital investment and create higher-skill, higher-wage jobs especially in communities and regions that are suffering from economic distress. Economic distress is defined by the EDA as areas that have:

• An unemployment rate that is at least one percent greater than the national average unemployment rate;
• Per capita income that is 80 percent or less than the national average per capita income; or
• A special need, as determined by EDA.

Generally, EDA investments are focused on locally-developed, regionally-based economic development initiatives that achieve the highest return on the taxpayer’s investment and that directly contribute to economic growth. With this mandate the agency focuses on a set of seven interconnected investment programs, summarized below.

• Public Works: Empowers distressed communities to revitalize, expand and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies and generate or retain long-term, private sector jobs and investment.
• Economic Adjustment: Assists state and local interests in designing and implementing strategies to adjust or bring about change to an economy. The program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base.
• Research and National Technical Assistance: Supports research of leading edge, world class economic development practices and information dissemination efforts.
• Local Technical Assistance: Helps fill the knowledge and information gaps that may prevent leaders in the public and nonprofit sectors in distressed areas from making optimal decisions on local economic development issues.
• Partnership Planning: Supports local organizations (Economic Development Districts, Indian Tribes, and other eligible areas) with long-term planning efforts.
• University Centers: A partnership of the federal government and academia that makes the varied and vast resources of universities available to the economic development community.

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5 Ibid. Page 42
• Trade Adjustment Assistance: A national network of eleven Trade Adjustment Assistance Centers to help manufacturers and producers affected by increased imports prepare and implement strategies to guide their economic recovery.

Furthermore, guidelines for investment projects are provided by the agency on the basis of several criteria that reflect the priorities of the Federal Government in its economic development activities. These investments should:

- Be market-based and results-driven;
- Have strong organizational leadership;
- Advance productivity, innovation and entrepreneurship;
- Look beyond the immediate economic horizon, anticipate economic changes and diversify the local and regional economy;
- Demonstrate a high degree of commitment by exhibiting:
  - High levels of local government or non-profit matching funds and private sector leverage,
  - Clear and unified leadership and support by local elected officials,
  - Strong cooperation between the business sector, relevant regional partners and local, state and federal governments.

These EDA investment programs reflect the most common national, state, and local economic development approaches. Regulatory, market-based approaches and bottom-up strategies are valued highly by the agency in its programs and evaluation criteria. Business recruitment, attraction, retention, expansion, as well as cluster development strategies are also offered and supported by the agency. At a practical level, specific projects would qualify for one or another investment program and such suitability reflects the particular approach emphasized in each specific program.

It is important to note that funding for the EDA Investment Programs is inadequate to meet the current needs in the U.S. and its funding is spread thinly among the applicants. Total appropriations for fiscal year 2007 for the Economic Development Assistance programs were $250 million. These programs are highlighted here, however, to provide an example of U.S. policy on economic development.

One spatial aspect of the EDA programs worth noting is the ‘economic distress areas’ targeting. The EDA programs aim to have an impact in communities of need. In doing so, EDA combines current economic development guidelines with variables that arise from local realities. By targeting distressed areas, EDA is considering place as a factor of economic development and an important aspect of its programs. However, spatially based economic development strategy at EDA focuses only on distressed areas. A comprehensive and systematic policy would look to implement spatial strategies in successful areas too, to promote their growth as the local economic development approach suggests. This emphasis on place is the focus of the next section, where I will explore a spatial perspective on economic development in order to evaluate the current issues and policies of existing strategies and programs.

A Spatial Specialization Perspective on Economic Development

For the purpose of this paper, economic development is understood as the activities undertaken to improve the economic wellbeing of a community. Such efforts are generally focused on the public or private side of economic activity. Government services and investments fall under the umbrella of economic development. Private economic activities constitute the other part of the economic development universe and include businesses and consumers. Over time in the United States and internationally, the emphasis on either public or private approaches to development has generated a fertile area of discussion and innovation.

ECONOMIC DEVELOPMENT FOCUS ALTERNATIVES

With the goal of improving the economic well being of communities, several approaches have been undertaken at the national, state, and local levels since the 1950s in the United States. In this section I explore a spatial approach to economic development issues and policies. This spatial model of decision making is a partial and simplified model of reality, but in its simplicity it provides a robust set of practical applications.

Several economic theories frame the nature of interactions among government and private economic units. The most important distinction among these various theories is their inclusion or exclusion of space within their definition of the issues and solutions. For most of the history of economic theory, place has been relegated to a secondary role in analysis and policies. Here we want to emphasize the spatial components of economic development and build on recent developments in the economic literature and profession.

Urban development policies aimed at assisting low wage labor markets are often characterized as either supply-side or “people-based”, where directed toward individuals, or demand-side or “place-based”, where eligibility is conditioned on location. People based strategies focus on issues such as workforce training, education, micro loans, personal savings accounts from a perspective in which targeting of programs and initiatives look to influence individuals or groups and not geographies. This paper considers these strategies different only in degree from “place or space based” strategies and theories in that they emphasize the location aspects of a community but look to influence the populations in these geographies. I believe that discussing strategies focused on places insures we address systemic problems that are
localized and is helpful in understanding current policies and programs while other successful federal, state and local programs focus on individuals and groups based economic development.

Recognition of the coming of age of the so-called "new economic geography" with award of the 2008 Nobel in Economic Sciences to its seminal pioneer, Paul Krugman, is just the latest development for a school of thought with deep roots in regional science in the United States and Europe and in location theory and market analysis. Says Krugman, "How do economists routinely deal with the question of how the economy organizes its use of space? The short answer is that mostly they do not deal with the question at all. Indeed, there is something strange about the way that most of our profession neglects anything to do with where economic activities happen."

According to latest version of The Practice of Local Government Planning, three basic concepts are at the root of this spatial understanding of economic activity and they are fertile ground for promoting the well being of communities. These concepts are:

- Spatial Agglomeration: Economic activities tend to concentrate around locations where activities have taken hold, and tend to disperse when there is no "center of gravity."
- Economies of Scale: Savings are achieved in per unit cost as level of output increases i.e. with specialized production you reduce costs of production;
- Economies of Scope: Savings are realized from the production of related products i.e. with know-how and existing production capacity you can produce similar products;

The picture of economic activity advanced here takes space as the central concept for economic policy and is well represented in Economic Base Analysis (EBA). This well known methodology is at the basis of most market studies and economic development models and aims to identify which industries would bring new dollars into a spatially-defined economy. The methodology identifies the economic activities that are represented in a larger magnitude in a given community. These are activities that have spatial agglomeration, by virtue of their economies of scale and scope and which can act as leverage and the basis of economic strategies. Such strategies are thereby spatial in nature.

At the heart of economic base analysis lays the notion of basic and non-basic industries. Basic industries are the ones that bring new dollars to a spatially-defined economy through exports, whereas non-basic industries are support activities of export industries. As an example, picture two economies that interact with each other, and which host internal interactions:

With the goal of improving the economic well being of a community by building on the economic specialization of the area, space can be used as a "proxy" or control variable that allows analysis and interpretation of data available. Economic analysis tools such as location quotients, shift-share analysis or cluster analysis all presuppose consideration of space to pursue accurate and informed forecasting and decision making. In economic base analysis the relations of two specialized economies interact both internally and with each other. You can picture this process as a centrifugal and centripetal force field that grounds non-basic industries in each economy and distributes basic industries between Economies “A” and “B” in the above diagram. This simple notion of agglomeration and specialization in space is at the basis of this regularly used tool for economic analysis. Economic specialization refers to economic activities that are more represented in a given economy than in the surrounding areas or competing economies—such is the mathematical basis for location quotients.

This spatial version of economic activity allows us to focus attention on the practical aspects of economic strategies and provides a model that helps us frame current economic development approaches and available tools to evaluate their benefits or tradeoffs with a common standard. With this model one can evaluate national or state approaches to economic development or current EDA investment programs. By focusing on space we can think specifically about competitive attributes between economies—from neighborhoods to vast megaregions—and formulate policies that consider their surroundings and competitors in defining alternative scenarios for sustainable growth. Traditional economics assumes that space is homogeneous and that it doesn't affect economic activities. Going further, space should be made not only explicit in these assumptions but understood and used as an important factor to devise tangible and practical strategies for economic development. Essentially, economic development without space is pure theory. Only when you start accounting for space in investment considerations do practical and real decisions start to be considered.

One current trend within spatial economics and economic geography is the shift from a monocentric model of economic agglomeration, where a city has a distance decay function in which land decreases in value as you move away...

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from the city’s center, to a polycentric model of agglomeration and dispersion in which activities take place around several cities, creating a picture of valleys and peaks of value that reflect more accurately the interrelatedness and regional nature of economic activity. These two models presuppose a uniform and isolated space in the case of monocentric agglomeration and a diversified and relational space in the case of polycentric agglomeration. 11 The first model has been used to understand economies of a regional nature focusing on growth factors, especially focusing on exogenous or basic industries strategies. Economic base analysis is modeled to some extent in this framework. The second model has been used to understand economies of local character focusing on development factors, especially endogenous factors or non-basic industries. The field of community economic development is an example of this model.

Implications of an economic development spatial underpinning do not end in agglomeration economies. Issues of accessibility and hierarchy are also essential for our understanding of the intricate relations among adjacent or competing economies. Accessibility represented in transportation costs influences the location of activities and this is a well known factor in the decisions of households or businesses to select a neighborhood or business district. Hierarchy is important too as a factor of spatial economics since more and more the network of relations (highways, airports or broadband) on which a community finds itself is of importance to definition of its challenges and opportunities. 12 Is it time to start designing and using more sophisticated economic analysis tools that compare a place not only with a comparison area but with a set of multiple competitors? The nature of economic activity has changed over time and the need for analytical tools that convey the interrelatedness of a given economy to not only a comparison area but a network of places is essential to be able to position new strategies for regional economic development.

Spatial Assessment of U.S. Economic Development: Lessons for the 21st Century

Over the last century eleven megaregions across the nation—spaces in which increasing social connections, economic interaction and transportation activities take place have taken root as spatial loci of activity. These eleven megaregions, which comprise networks of metropolitan areas 300-500 miles across, will absorb over 70 percent of America’s anticipated population and economic growth by the year 2050. Growth and development of metropolitan and non-metropolitan regions outside the megaregions is essential to promote a balanced and active economic development policy. At the same time that most of the nation’s megaregions will experience rapid growth in the next half century, at least two megaregions – the Gulf Coast and Great Lakes megaregion are experiencing slow or stagnant population and economic growth.

Across the country, urban, rural and resource-based communities are struggling with the transition to a service-based and global economy as job bases erode. Likewise, frontier communities, described by the National Center for Frontier Communities as sparsely populated and isolated communities located far from major population centers, are often left behind in these economic transitions. These communities often lack access to basic services such as education and health care and may depend on distant metropolitan areas to provide these services. New strategies are needed to integrate these rural and frontier communities into their adjacent regional economies and help larger declining regions transition to compete in a global economy. Three set of policy issues remaining to be addressed come to the forefront in this context:

- A National Strategy for Balanced Economic Development: The United States is expected to add more than 130 million additional people by mid century with no national economic development strategy to guide this growth. The lack of a national strategy has resulted in “growth winners” – regions of rapid population and economic growth and “growth losers” - vast areas of the country that have been left behind in terms of economic development;

- Defining the Megaregion and Frontier Relationship: Approximately ten million Americans live in “frontier” communities. These communities are sparsely populated and located far from population centers. Although their exact definition is formulated using a weighted matrix consisting of three criteria (population density, distance to service/market, and time to service/market), generally, they have a population density of fewer than 15 people per square mile and are more than 60 miles from services;

- Physical Connections Beyond the Megaregion: over 70 percent of the expected job growth in this country by 2050 will occur in the 11 megaregions encompassing less than a quarter of the nation’s land area. Strengthened connections between rural and frontier communities and the nearest megaregion have the potential to bring economic benefits to the communities outside the megaregions as well as the megaregions themselves.

These issues should guide a discussion of the current economic development approaches in the United States, and be evaluated with the spatial point of view described in the previous section for policy development, planning and implementation. Some questions that guide this evaluation include: Should the federal government create a balanced growth strategy in which resources are allocated to help declining regions? Over half of the area of the United States fits a definition of frontier and although these communities are located far from the population centers of megaregions, they often depend on these places for vital services. Should these economies grow local and targeted strategies based on endogenous growth strategies? How can the metro and non-metro areas occupying the remaining 75 percent of the country be better connected with the megaregions and with national transportation systems?

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An American economic development framework for the 21st century should be able to provide the needed resources to both private and public sectors. Strategies that rely solely on free market approaches or on government interventions miss the need for a concerted effort based on the intricate relations between the sectors of the economy. More importantly these strategies need to be place and people based. Approaches that adopt a tabula rasa approach to the dynamic relations of cities, regions and the nation lack the necessary understanding to provide real solutions for the needs of diverse communities. By adopting a local economic development approach, place-based strategies will be able to position America for success in the 21st century. But the inclusion of people and place needs to be strengthened on several fronts:

Spatial economics of each place should not be considered in isolation. We should aim to provide a polycentric understanding of economic phenomena that underlies the interconnectedness of each locality with a network of localities from the region to the megaregion. In other words, we need to think about the overarching connections from megaregion to megaregion, megaregion to the nation and megaregion to the world. The familiar adage, “think globally; act locally” needs to be understood clearly as the incorporation of all spatial scales in decision making for community economic wellbeing. As part of this process we should also understand and work to document how communities on the periphery of the megaregions play a vital role in the megaregion’s viability by acting as sub-centers of economic activity within the larger regions they are located in. These larger spatial realities are fluid and accommodate complex relations with frontier nodes.

A balanced economic development strategy should support communities in need while also reinforcing success. Priority of economic investments should continue to be focused on low and moderate income households and underperforming regions to ensure that these communities share the benefits of continued population and employment growth expected for this century. But successful areas should also be targeted to increase their growth and spillover benefits to themselves and related communities.

An equitable agenda should also support a fiscal health agenda, given that the viability of governments at all levels is essential for the wellbeing of communities big and small. In this respect national, state, and local policies should aim to provide both government and private strategies for economic development on the premise that both avenues are important and have been historically part of the democratic process of participation and decision making in the United States.

Social equity should be a founding principle. Policies should also be holistic and move away from a “silo perspective” for economic development. An open strategy is needed that takes account not only of the existing parts of an economy—from human resources to land and capital—but the environment and equity attributes, including persons in poverty, differences of gender, race, and/or minority self-determination. A more open and inclusive society needs to be built on the basis of a complete understanding of the reciprocal relations between the economy, environment and equity. This can be done by acknowledging the spatial basis of human activity generally and of economic activity specifically. In order to understand the location attributes of a given area—from the neighborhood to the world—the need to recognize that all issues are inevitably related is required. This position allows us to strategize out of the intricate relations in reality and scales and not out of a simplified idea that holds constant most factors. Designing and implementing economic development policies and programs should always be evaluated by triple bottom line performance based criteria that promote positive impacts for communities, economic growth and sustainable development. These criteria should guide investments across the board as guiding principles for spatially based initiatives and complement “people based” initiatives that focus on demographics without emphasizing geographic location.

Policies must address the inhibiting effects of segregated land uses. A clear challenge to new regional economic development is the residential vs. commercial dichotomy that plagues America in urban, suburban and rural areas. The focus on residential development in peripheral areas and commercial and industrial developments in central areas has limited economic development potential. This spatial mismatch allocates too much of each land use in a segregated pattern that has proven unsustainable for both private and public sectors of the economy. A more balanced development framework that targets mixed-use and mixed-income areas would provide benefits for all localities and regions since it would provide a polycentric and sustainable model for settlement. In this model the potential support and export industries would provide endogenous and exogenous benefits to the communities in question—and by a virtuous cycle, to communities within its network of relations.

Civic partnerships are also essential to the well being of communities. Recent and historical examples have made clear that inclusion of all involved parties in the decision making process for development is essential for the success of any proposal or project. It is only with a robust and inclusive participatory process that complicated projects with significant tradeoffs can achieve successful implementation. The reality is that successful undertakings result not from government mandate, but from a concerted and agreed upon course of action between competing parties and stakeholders.13

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13 I want to thank Petra Todorovich for her suggestions on the first draft of this paper and the participants of the America 2050 2009 Research Seminar for their comments on a subsequent draft.
Common Economic Development Tools

The following is an inventory of current tools for economic planning used in the United States that identifies the tool’s characteristics and their spatial implications where applicable. Tools are generally targeted to businesses or firms, to specific areas or types of areas or to the labor force.

Brownfields Redevelopment

Brownfields Redevelopment is the remediation of former commercial or industrial sites that are abandoned or underutilized and have some degree of environmental contamination whether real or perceived. They are predominantly located in economically distressed areas that were formerly used for industry and when successful bring back land to productive use.

Business Attraction and Recruitment

Business attraction and recruitment was considered once the main approach to economic development. Attraction of new businesses into an economy may quickly increase the tax base, jobs and diversity of the local economy. This strategy has created competition between geographic areas for the same businesses creating “zero-sum” scenarios in which no new businesses are created.

Business Retention and Expansion

Business retention and expansion is a tool based on the notion that healthy communities have strong and healthy businesses. As competition among communities for businesses heats up, this tool has become the most popular economic development tool nation wide. By focusing on endogenous strategies for a locality to improve and grow its existing industries the tool provides an alternative to business attraction and recruitment.

Cluster Development

Cluster development is a human, capital, and resource strategy used to strengthen geographic concentrations of interdependent, complementary and/or competing businesses in related industries that trade with each other. Clusters act as powerful magnets for business location and create diverse pools of skilled workers. They also attract new suppliers that agglomerate nearby for increased efficiency.

Downtown Development

Downtown development is the promotion of development, redevelopment and revitalization of the central business district and adjacent areas in a city to counteract sprawl and growth in the suburbs and consequently decline of the central business district. Downtown Development encompasses multiple activities and requires strong partnerships for success.

E-commerce Development

E-commerce development promotes commercial business transactions with the assistance of electronic based tools. E-commerce tends to be located in downtown locations, which offer office buildings and amenities. Transactions include sale of goods or services between businesses (B2B), between businesses and consumers (B2C) or business to government (B2G), government to business (G2B) or government to consumer (G2C).

Economic Development Finance

Economic development finance meets the capital needs of businesses that are not addressed by traditional lending and investment institutions. Financial capital can translate a good business or development into products, services and places that create and retain jobs and wealth in a community. Tax increment finance or business improvement districts are examples of these tools used for financing of public goods.

Economic Development Marketing

Economic development marketing is the activity of promoting a community as a whole, individual properties or sites, particular neighborhoods or specific programs or policies. Many organizations contribute to a community’s marketing activities – state and local governments, chambers of commerce, utility companies, regional organizations, community development corporations, property developers, institutions and others.

Entrepreneurship Development

Entrepreneurship development is the process of creating an environment that enables business start-ups. Entrepreneurship development programs provide potential entrepreneurs with the capital, training and technical assistance they need to start up their business. Incubators are one of many initiatives used for this strategy but also include technical assistance, and other tools.

Export/Trade Development

Export/Trade development and promotion enables firms to expand their market area. Typically, firms do not have the resources to explore or develop an export-marketing plan. Exporting can contribute to a firm’s sales volume and create new jobs for the local economy.

Empowerment Zones/Enterprise Communities

Empowerment zones/Enterprise communities are distressed urban and rural communities that face problems of high unemployment, crumbling infrastructure and minimal access to capital. To help these problems communities can apply to become designated as such zones or communities. This recognizes that local communities, working together, can best identify and develop local solutions to the problems they face through using seed money for partnerships or investments for revitalization, business assistance, improved training, transportation and health access and safety.

14 The appendix is a summary and selection of economic development tools described by the “Economic Development Reference Guide,” funded by the Verizon Foundation and prepared by the International Economic Development Council.
Incentives
Incentives are tools used to influence business decisions about where new investment will take place. Economic development incentives can be either financial or non-financial, such as tax exemptions and credits or workforce training and public infrastructure improvements.

Infrastructure Development
Infrastructure encompasses existing transportation, communication and utility networks. Rebuilding the physical infrastructure of a community improves the local business climate and is critical to the redevelopment of given areas. Many distressed neighborhoods suffer from inadequate infrastructure, decreasing their ability to integrate into wider city, national, and international markets. Programs to build roads, provide water and waste removal, and offer telecommunications services all bestow substantial economic benefits such as job and business creation and retention to a community.

Neighborhood Economic Development
Neighborhood economic development or revitalization seeks to improve a neighborhood’s physical, economic, and social conditions to improve the overall quality of life and economic opportunities for neighborhood residents. Critical to this process is the revitalization of commercial areas, because it creates jobs for local residents, provides goods and services to the local market - thereby keeping local dollars in the community - and improves the overall image of the neighborhood by signaling that business can succeed there.

Quality of Life Improvement
Quality of life improvement is a tool focused on increasing the economic well being, life style, and environment that an area offers. Improving the quality of life is the ultimate aim of economic development programs and initiatives. A balance has to be maintained between encouraging the growth of the local economy, while limiting impacts upon the quality of life. Provision of amenities and safety are essential components of this strategy for economic development.

Real Estate Redevelopment
Real estate redevelopment focuses on vacant and older buildings that blemish many urban neighborhoods, contributing to blight, crime, and perceptions of the neighborhood as an undesirable place to live and do business. Vacant buildings lead to disinvestment. Property redevelopment and reuse refers to the process of taking previously developed property or areas to a higher, more productive use.

Rural Economic Development
Rural economic development is typically described in terms of its objectives: these are most commonly described as the creation of jobs and wealth, and the improvement of the quality of life in rural areas. Rural economic development can also be described as a process that influences the growth and restructuring of an economy to enhance the economic well-being of rural communities. For rural communities, the challenges are very different from those in urban areas. Small-scale, low-density settlement patterns make it more costly for rural communities and businesses to provide critical services.

Small Business Development
Small business development focuses on America’s 25 million small businesses that employ more than 50 percent of the private work force, generate more than half of the nation’s gross domestic product, and are the principal sources of new jobs in the U.S. economy. The importance of small businesses has led to improvements in the environment, within which small businesses operate, with a proactive approach used to assist small business owners. Since the U.S. Small Business Administration’s definition of small business is any business with fewer than 500 employees, small businesses vary widely in size and character. Many small businesses distinguish themselves by being innovative, flexible, and strongly tied to the community.

Smart Growth
Smart growth describes the efforts of communities to manage and direct growth in a way that minimizes damage to the environment, reduces sprawl, and builds livable towns and cities. Our current pattern of growth, sometimes known as sprawl, has a number of negative cultural, economic, environmental, and social consequences. In central cities and older suburbs these include deteriorating infrastructure, poor schools, and a shortage of affordable, quality housing. In newer suburban areas these problems may include increased traffic congestion and declining air quality, the absence of a sense of place, and the loss of open space.

Tourism
Tourism as an industrial sector encompasses portions of many other sectors including hospitality, transportation, retail, and entertainment. Tourism attracts temporary visitors to places where they purchase goods and services before leaving. Both rural and urban localities based their visitor attraction strategies around favorable local advantages such as a climate, history, and cultural and natural resources, which attract visitors. Tourism offers a variety of entry-level positions for relatively unskilled workers. For this reason, many local economies diversify their existing economic base with complementary tourist activities.

Workforce Development
Workforce Development and/or training refers to community efforts to train individuals for specific jobs or industries. Training may cover everything from soft skills (work ethic, attitude, getting to work on time) to basic skills (literacy, numeracy) to specific job skills (carpentry or Web site development). Community workforce efforts may also include job placement assistance, resume writing, interview skills, and retention services such as legal advice and child care, that help people stay in a job once placed there. The goal of workforce training programs is to improve the quality and skill sets of individuals, to place them in jobs, and help businesses find an employee base in line with their needs.
Summary of Proceedings

Introduction
Armando Carbonell opened the seminar with a simple question to the participants: what do we do with the white spaces? The “white spaces” refer to the areas of the country not included in one of the 11 megaregions. America 2050 began several years ago, organized around the idea that roughly 75 percent of the growth in population and employment will occur in about 25 percent of the land area distributed among the 11 megaregions across the country. These megaregions are the economic engines of the nation and the new competitive unit in the global economy. As the initiative shifts its focus to the development of a national growth strategy, it must address not only the 11 megaregions but also the other 75 percent of the land area and 25 percent of the nation’s population if the process is to result in a strategy that is truly national.

This research seminar, entitled “New Strategies for Regional Economic Development,” gathered people with a range of expertise and diversity of backgrounds, including those from declining, post-industrial regions, rural and frontier communities, and experts on state and federal economic development policy, to address what to do with declining and bypassed regions in the “white spaces” and within the megaregions.

Carbonell described the inspiration for the inclusion of the “white spaces” as the territorial cohesion program in the European Union, which promotes balanced economic development. It has identified hot spots, rural, and declining regions and how these regions work together within the context of the EU. He suggested that it is possible to pursue such a strategy in the United States, and promote regional equity; that is, to invest in the hinterlands and not just the hot spots. In this country, the economic development strategies we have pursued have emphasized productivity over cohesion. Carbonell laid out the goal of this seminar as an articulation of a coherent conception of a national economic development strategy. He said he hoped for a synthesis of different strategies, including economic development, landscape preservation, smart growth, and urban revival. He also hoped to receive specific policy advice that America 2050 could incorporate into a national growth and economic development strategy to take to the national government.

Bob Yaro offered a brief history of America 2050 and discussed why the program has become interested in the underperforming or bypassed places. He asked rhetorically, How can we be successful as a country if we leave behind one-fourth of our population? What are the fundamental policies that need to be put into place to benefit the places outside of the megaregions?

Identifying Underperforming Regions
Yoav Hagler presented research entitled “Identifying Underperforming Regions.” The research attempted to identify “underperforming” counties based on four criteria: population, wage, and employment change 1970-2006, and 2006 average wage. Counties that were in the bottom third in at least three of these four criteria were considered to be underperforming. Six hundred forty counties were identified as underperforming, representing just over 20 percent of the total counties in the United States but less than five percent of the population. The 640 counties were located in six distinct regions: The Northern Rockies, including parts of Montana and Idaho; the Great Plains, stretching from the Dakotas in the north to western Texas in the south; the border regions of the Rio Grande Valley, in southern Texas; the Mississippi Delta, including parts of Louisiana, Mississippi, and Arkansas; the “Rust Belt,” including western New York and Pennsylvania, Ohio, Indiana, and West Virginia; and, the Deep South, including parts of Georgia, Alabama, and Mississippi.

With the exception of counties in the Great Lakes megaregion, these underperforming counties were overwhelmingly outside of the megaregions. Their population tended to be less educated and older than the population in the higher performing counties. A larger percentage of their land was in agricultural uses, and they were hit disproportionately harder by the loss of manufacturing employment over the last three decades.

The presentation sparked discussion on what it means to be an underperforming county, and generated ideas for other criteria to be included in further research. Mark Pisano suggested that future research should include a cost of living overlay, as well as rates of poverty, on the maps. He also warned that the economic turmoil of the last 18 months has changed the inequalities in the nation. Matt Chase noted that there are “two rural Americas.” The first group is com-
prised of very low density areas that provide high amenities and act as "escape" and vacation destinations. The second group consists of the types of rural counties that Hagler’s analysis identified, which are those with declining population and employment and often isolated from metropolitan regions.

Several participants suggested that future research should include the inequalities of income distribution within these counties, perhaps by using the Gini coefficient, which is a measure of wealth distribution. Susan Christopherson pointed out that New York is the most unequal state in the country and warned of the "diseconomies of scale"; that is, not all growth is economically simulative in the long term. Peter Fleischer noted that home prices in Buffalo, New York, are one-twentieth the cost of homes in New York City and a measure of cost of living should be included in the analysis. He also noted the absence of coastal counties from the underperforming regions.

Pisano suggested that an interesting addition to this analysis would be to determine the overlap of immigration flows over this time period with the underperforming counties. Carbonell agreed, and suggested that in addition to immigration, the analysis could include internal migration patterns, perhaps from the USDA Economic Research Service data set. He also noted that the map still has blank spaces in it, and asked what the plan was for dealing with these blank spaces.

**Yaro and Ronderos Paper Presentations**

Bob Yaro presented the framing paper he prepared for the seminar and asked for responses and feedback from the participants. He stressed the need to “remagnetize” these underperforming regions. A critical component of remagnetizing is reconnecting these places with metropolitan economies and doing so with more than just physical linkages. The internet has the potential to invigorate rural areas. Rural broadband allows the ability for someone to access the global economy while living in a rural area.

The linking of these areas requires a federal commitment to economic development in post-industrial and rural regions that has no precedent in the United States. Yaro offered a parallel from Europe to illustrate the magnitude of the federal commitment that will be necessary. The Ruhr Valley, which is a former heavy industrial zone in Germany that is slightly larger in area than Rhode Island and has a population of five million people, received more investment in brownfield remediation and economic development than the entire United States under the Clinton Administration’s Brownfield Initiative.

Matt Chase largely agreed with the prescriptions laid out by Yaro, but stressed the importance of ensuring transparency and accessibility to a national economic development strategy. He challenged the group to think about how performance would be measured: “what would the benchmarks be?”

Carol Miller approved of the use of the term “nonpartisan” instead of bipartisan; however, she questioned whether the goal was to "get back" to an era that was unsustainable? She noted that many of these “bypassed” regions were "colonized" and involved resource extraction that did not benefit the local communities. She said that some of these places cannot be characterized as underperforming because they were never performing, but were simply neglected. Frank Popper noted that depopulation has been happening for a long time, and added that if these places feel colonized, it might not be such a bad thing that people are leaving.

Bev Perry stressed the importance of focusing these investments in neighborhoods that have needs. She picked out two points from Yaro’s 15-point economic development strategy and noted the importance of linking the “Leadership” and “Regions Matter” categories. She also posed the question: “How do we push a picture of regionalism?”

Mark Pisano warned of the importance of agreeing collectively on a set of values in order to have a meaningful mission, and that agreement should be reached before the group pushes a specific agenda. Further, in developing this agenda, we must create metrics to measure the programs against values and goals. Strategies must focus on underperformance within megaregions as well as outside of megaregions. Pisano also pointed out the importance of creating new roles for space in America. He gave these examples: What are the areas for renewable resources; what happens where the current agriculture is not sustainable; and, can America re-engage in value-added manufacturing? We need to think in terms of supply chains, logistics, time, and value.

Pisano used as an example of this new thinking AB 32 in California, which requires the California Air Resources Board to develop strategies to reduce California’s greenhouse gas emissions by 25 percent by 2020. The business community of the Bay Area, which is optimistic about renewable energy and not afraid of the potential increased cost of doing business, pushed AB 32.

Deborah Popper said that human resources need to be addressed in a national economic development strategy. Strategies to deal with issues in mental health and drug abuse were among the critical missing pieces in Yaro’s recommendations. Popper added that the potential of each of the large “bypassed” regions should be catalogued and the underlying strengths of these places identified.

Carol Miller said that President Bush had been right in putting a moratorium on solar energy until environmental impacts studies under the National Environmental Policy Act (NEPA) had been completed. Large-scale solar farms are immensely destructive. She claimed that because of road construction and concrete foundations for each array large-scale solar is more environmentally destructive to the installation site than oil and natural gas production.
Carol Miller began her presentation with a question: What are the structural barriers to economic health in rural and frontier regions? She then illuminated some of these barriers. Sparsely populated regions have difficulty accessing some federal development funds because of per capita requirements. Regions with underfunded or even no local governments are disadvantaged as well by requirements for local funding matches. Miller also cited an insufficient support for local leadership as a challenge for rural and frontier regions.

Miller defined the Frontier as a region that encompasses 56 percent of the nation’s land area but only 4 percent of the population. Many of these frontier communities are on federally controlled land; thus, they depend on PILT (payment in lieu of taxes) funding to finance local services. When this PILT funding is paid in full, many of these communities are able to provide necessary services. PILT payments in recent years have fallen below 50 percent, which can cripple the local economy. These places do not have a diversified economy; they are dependent on federal transfers, and much of the PILT money goes to healthcare priorities.

Miller proposed that engagement in many of these communities can be difficult because there is less civic life and more family- and church-based involvement. She cited a recent study showing a link between local corruption and rural poverty.

Moving from Economic development to Economic Health

Susan Christopherson began her prepared remarks by observing that old industrial regions often call their cities “dead.” The cities of Upstate New York are middle sized cities which grew rapidly as manufacturing centers a century ago. Christopherson asserted that the economies of these cities are still manufacturing based, although she noted that New York State has lost more manufacturing jobs than any other state. She insisted that the manufacturing sector plays a role in emerging diversified economies. Christopherson further suggested that while the traditional production jobs in the sector move to other regions and overseas, the highly specialized support jobs remain and are a valuable building block for economic development in these cities.

Christopherson used Pittsburgh as a case in point, where 13,000 people are still employed in specialized, steel-related firms even though the majority of the steel production has moved out of the city. Thus, she said, as Pittsburgh’s highly-specialized, steel-related firms now serve a global production market even though its steel production capacity has nearly disappeared. She stated that the same is true for the photonics industry in Rochester, New York.

She referred to this phenomenon as “Continuity,” which is a legacy of investment in research and design and results in the convergence of small and mid-size firms that arose from the R&D investment. R&D remains in these regions, and these small and medium-sized firms are now reaching global markets instead of servicing local production.
Christopher returned to the disadvantages that Upstate New York faces in the global economy. She noted that the region is isolated. Deregulation of the electricity markets and of the airline industry, which produced the highest seat prices in the nation in Upstate New York, have made Upstate New York an expensive place to do business. However, a legacy of assets and expertise remain in the region. Despite the perception that these cities have not been able to move into the global economy, there are, in fact, thriving small and medium-sized, nearly invisible firms that are leading in the current economy.

Christopher concluded her remarks by urging the group to look beyond the regional perspective to the national and global processes that place regions in different positions. Finally, she argued that climate change and fuel costs will produce dynamics that may cause industries to re-agglomerate and help regions like Upstate New York.

Robert Simpson followed Christopher by providing a case study of regional economic development. The Metropolitan Development Association (MDA) of Syracuse and Central New York maintains a strategic plan for its region and updates it every 5-10 years. MDA most recently updated this strategic plan in 2004.

The population of the city of Syracuse has declined from a peak of 240,000 to 140,000. Central New York has significant amenities, including an educated workforce and an aging but effective transportation network. MDA’s business leadership and development strategies reflect its priority for the optimization of key industry sectors, a focus on regionalism, and a cluster-based approach. He stressed that private sector leadership is important but noted that collaboration among private entities is more likely when industry is growing as opposed to stagnating or shrinking.

As part of its last strategic plan update, MDA undertook a market analysis of green technology. The analysis estimated that the fuel cell market may grow from $1.4 billion to $14 billion worldwide over the next decade, and identified 419 companies with 10,290 employees associated with green technology. The analysis also noted a lack of communication and coordination between the university R&D and the associated industry partners. The MDA offered a $100,000 prize for the most innovative company in the region as a way to spotlight the companies in the region and the type of work they do. Simpson acknowledged, however, that regional thinking does not predominate and deep parochialism continues to exist in Upstate New York.

Simpson suggested that New York State’s economic development incentives are misaligned with how jobs get created. Instead of focusing investment in small and medium-sized entrepreneurial enterprises that are creating jobs, these incentives are funneled primarily to large corporations. Upstate New York is first among all regions in losing 18-34 year olds, a trend that needs to be reversed if the region is to be successful. He cited higher education, which employs 65,000 people in the region, as a prime target for development strategies.

Bob Yaro, citing the success of the Ontario region in Canada, questioned whether upstate New York leaders can “fix” their economic predicament themselves or, rather, do they need a national strategy? Simpson responded that the national pattern of investment is different in Canada, and although the regions share many similarities they are operating in entirely different government frameworks.

Susan Christopherson suggested that a key challenge for an area with the specific assets of upstate New York is to engage the universities more effectively in nurturing the region. The universities currently are not doing a good job of this. Jewel Scott suggested that these business groups use the major university donors to persuade the universities to do more regional engagement.

The group picked up on the point made by Christopherson and asked, as the commodity piece of the industry leaves, how can a region capitalize on the part of the industry that is left? How can a region capture the value-added segment of the industry? Christopherson warned, however, that this industrial transformation has the danger of increasing the inequality in these regions.

Navigating the Political Landscape

Lyle Wray began by defining the difference between good politics and bad politics. Good politics, he claimed, was making what is necessary politically possible. Bad politics, on the other hand, is making sure your opponents do not win at all costs. He cited the space program under the Kennedy administration as an example of good politics. The fact that the major space facilities were placed in California, Texas, and Florida was undoubtedly political; however, it made the space program possible.

Patrick Field began with a question to the group: Do we need to think about governance in this country differently? The structural governance of the United States dictates a specific way of approaching and dealing with regional issues. When approaching underperforming regions, we must first ask: What do these regions have to offer? Many of these regions have rich civic virtue and historical structures. Environmental “bads” can become regional opportunities.

Field claimed that current national policies are part of the problem. He cited the federal land policy and farm bill as two examples of national policy that hinder healthy regional economic development.

Field then addressed the some of the common problems associated with reaching consensus on these regional issues. Some of the key issues that he mentioned were: politics remain geographically and population based, politics lag demographic changes, and values and cultural difference can be profound.
Matt Chase agreed that the farm bill should be broken up, but warned that its intent is to facilitate transfer payments rather than rural development. He claimed that we need to “ramp down and ramp up” the bill; that is, to increase the development portion and reduce the transfer payment portion of the bill. Carol Miller cautioned that communities often feel they are getting “jerked around” with federal policy. The language of the discourse at the federal level often makes rural people nervous. Yaro suggested that a fundamental restructuring of economic development in urban and rural communities is needed.

Jewel Scott presented the Heartland project currently being undertaken by the Civic Council of Greater Kansas City. The Civic Council was founded in 1964 by business leaders in the Greater Kansas City metro area. The Heartland is defined as the area from Canada to Mexico and from the Rocky Mountains to the Mississippi River. There are four key drivers for the project: Transportation (the movement of people and goods), Connectivity (the movement of ideas), Water (quality, supply/demand) and Energy.

The project teams currently are collecting data and laying the ground work to analyze the key drivers and reach out to other stakeholders in the region. Some of the challenges facing the region are the depopulation and the “graying” of the rural areas, as well as the lack of broadband.

The ultimate goal of the project is to create a vision for the Heartland and execute a strategy for realizing this vision. She stated that it is necessary for an organization like hers to undertake such a project because state officials, by law and mandate, often have a narrow or short-term view. Bev Perry asked Scott whether community outreach was a component of the program. Scott responded that they were first concentrating on collecting data on the drivers, which will allow them to do outreach from an informed position in a later stage of the project. Mark Pisano predicted that the nation will need additional east-west corridors and that Kansas City is well positioned to benefit from these. He also warned that the metro to metro connections with Kansas City are not going to transform the region; instead, he said, they need to look at how the region fits in with the changing national economy. Matt Mc Kinney suggested that water issues will become the defining issue for the American West. Any work dealing with economic development in the West must take into account the carrying capacity of the region.

Robin Philips spoke on the economic and social benefits of increasing mobility in rural areas. She described the three primary benefits of increasing mobility in isolated communities: access to health care, increased independence, and the provision of social services. Providing these links to rural regions increases productivity and reduces costs for accessing goods and services. She stressed that high-speed rail is great as part of the mobility and network vision but does not benefit rural communities because the trains do not stop in rural communities. HSR is one tool for mobility for a specific problem, and Philips stressed there are many different tools for the array of mobility challenges facing different communities. Phillips reported that the State of Oregon when she worked there issued a policy that every city of 2,500 or more needed access to a market, and the state provided this access with regular intercity bus service.

Matt Chase followed Phillips by reiterating many of his points from throughout the morning and again stressing that rural federal dollars are more about transfers and less about investment. The largest transfers to rural America come in the form of Social Security and Medicare payments.

Chase presented a case study on the regional alliance that brought a Toyota auto plant to Tupelo, Mississippi. The three counties in the region came together and agreed on a structure by which they would share costs and benefits to attract the Toyota plant. The plant likely would have located elsewhere, to the detriment of all three counties, if the three had competed against each other.

Chase argued that it is critical for states to be engaged when dealing with development in rural areas because urban areas have direct allocations but rural areas do not have place-based entitlements. He also noted that most of the development money goes to the rural regions in the form of loans rather than grants. He contrasted the difference between federal investments in rural and urban areas, and claimed that rural policy is about transfer payments while urban policy is about “building blocks.” A full 20 percent of rural GDP is in the form of federal transfer payments.

Chase offered examples of two existing programs at the federal level that provide a structure for rural economic development.

1. The Regional Collaborative Investment Program is currently underfunded but provides seed funding for regional collaboration and could be expanded into an effective program.

2. The Federal-State commissions, such as the interstate Appalachian Regional Commission, which with the support of the federal government, invests in health care, water and sewer, and transportation.

National Strategies for Large Scale Landscape Conservations

Matt McKinney began the final morning of the seminar with a presentation on large-scale landscape conservation and regional governance. Ecological infrastructure provides critical services necessary for megaregions, specifically when looking at water sheds. McKinney presented a project he is involved with in the northern Rockies called “Crown of the Continent.” This area faces several challenges, including the demand for energy, land development, the lack of regional identity, and the fact that the area crosses key political boundaries and includes two nations, one state (Montana) and two provinces (Alberta and British Columbia). There has been a series of roundtables convened to begin the
building of regional identity and to discuss the drivers of the project. The key drivers include population growth, water, energy, and bio diversity. These roundtables address the following questions:

What are the common values in the region?; How should we frame the issues pertaining to the region?; and, What do we mean by a national conservation strategy?

Landscape conservation is about more than just land preservation or conservation; it is also about people and communities. When creating a political strategy, important questions include the following: Is there a case for a national strategy for landscape conservation?, and, if so, what are we going to protect, what is desirable, and who needs to be involved?

Susan Christopherson asked McKinney whether there are conflicts with green renewable energy production in these environmentally sensitive regions. Luther Propst responded that there is increasing evidence that conservation is good economic development, that is, the more conservation, the more development in neighboring communities as the region as a whole becomes more attractive. The Tahoe regional development is a good example of this. Mark Pisano suggested that viewing an overlay of the critical national landscapes on the institutional framework for infrastructure megaregions would be instructive.

Evolve Expectations for the Great American Middle

Deborah and Frank Popper began their comments on the evolving expectations of the Great Plains with a description of the often multiple uses of the lands in the region. The same land viewed by different people in different times has alternatingly been thought of as sacred and useless: best for grazing and best for agriculture; water should be managed for people and water should be managed for crops. In an expansive rural environment, cattle pens represent the most urban of landscapes. The Great Plains have experienced three major cycles of development. These cycles were the post-Civil War era, the early 20th Century, and the Dust Bowl/late New Deal era. Each of these cycles of development was characterized by short boom and long bust periods. Two decades ago, the Poppers observed, the Great Plains were moving toward an end state called the Buffalo Commons. They postulated that the federal government would create a short grass national park. Instead, various local and regional organizations have been implementing Buffalo Commons land use strategy. The goal in these places is an economy that is less extractive and more sustainable.

The Poppers have now moved on to exploring the future of the Midwest. Its primary strengths as a region are not clear. They argue that the future of the Midwest is contingent on “totally rethinking” transportation. They claim that ethanol got “some of it right—most of it wrong.” If the Midwest is able to transform in a manner that makes it the center of the fuels and vehicle of the future, it can once again become a center of growth. The Poppers made the claim that planners understand growth, but do not deal well with decline. They quipped that there is “no institute for the gently growing city.”

Luther Propst asked how wind power fits into the potential strategy for the Great Plains and Midwest, to which the Poppers replied that they thought wind power was totally consistent with the development strategy.

Wrap Up

Armando Carbonell explained that the purpose of the seminar was to gather suggestions that will become part of national policy. The recommendations should concern the peopled landscapes that are not centered in the megaregions. They need to be national in scale but not necessarily federal; that is, they could be bottom up strategies for regional development.

Mark Pisano suggested that because of the negative connotation of the term underperforming, we should use a term more like transforming. Pisano also would like the continuing mapping effort to include internal migratory patterns, institutions, physical infrastructure, water sheds, amenities, ecological resources, energy resources and conservation areas. Carol Miller added that lands owned by the military and their flight paths should be included.

Bob Yaro argued that we are having this conversation in a time of discontinuity. The ultimate goal should be to “strike a balance” to support, rather than detract from, local communities. Rob Simpson agreed and stressed that we first need to have a clear understanding of the assets and natural resources in an area. He also argued the need for a national innovation policy in order to grow the base in these regions. Simpson mentioned Karen Mills, at the Small Business Administration, and Rob Atkinson, as leaders on these issues. He also cited the legislation by Senators Clinton and Collins, which supplies $3 million for seed capital.

Lyle Wray proposed that the official policy of the federal government should include the “triple Es” of Environment, Economy, and Equity, plus innovation. Jewel Scott argued that the nation needs to set important long term goals and deliver investments toward long term outcomes not short term cost benefit. She asked whether there were best practices examples from places that have been successful in a serious ramping up of innovation.

Luther Propst noted that the federal government spends a lot of money and that this spending has spatial impacts. We should be more explicit about the spatial impacts of this spending. How can we spend this money more effectively?
Peter Fleischer argued that the transportation bill is perhaps the most important piece of legislation for the next several years. The baby boom generation will be retired and largely gone by 2050. He asked, What is the “elder structure” we are planning in this country to deal with this movement of a large portion of our population out of the workforce and into retirement?

Bob Yaro suggested that we transform the farm bill into a rural development bill, including the revival of the land grant universities program. He argued that we need to completely start over with the farm bill. The federal government should not be in the business of supporting commodities as the current farm bill does. Matt Chase warned, however, that we should not necessarily get distracted by the farm bill. Immigration will determine America’s competitiveness.

Susan Christopherson noted that much of the economic development funding is essentially wasted on firm-specific transfers. If we end intercity competition for firm attraction, we can more rationally distribute economic development money. We should move toward a Canadian model under which firms negotiate with provinces, and cities within the provinces do not compete. Yaro agreed with this comment and suggested that we create an economic development structural fund that would require the elimination of “smokestack chasing” as a pre-condition for funding.

Matt Chase noted that we currently have a regional collaboration strategy, the Rural Collaborative Investment Program (RICP), as part of the farm bill that was authorized but not funded. This could be a good structure for the type of structural fund Yaro suggested. Chase went one step further and suggested the creation of a board for rural America that would be charged with overseeing development strategies for these regions.

Lyle Wray recommended that we research “bounce back” regions to assess the best practices in reviving once underperforming places. Jewel Scott was concerned with the fact that the current system is not addressing the needs of young people. New research also needs to take a look at risk factors pertaining to young people. Deborah Popper agreed saying that this research should look at issues pertaining to student retention.

Yaro posed the question: Should we invest in existing institutions or create new ones? Chase responded that the current system works well for specific places with political clout. He offered Huntsville, Alabama as a case in point. The city has experienced a doubling in population, in large part as a result of congressional earmarks. Huntsville has received significant NASA funding and has transformed itself into a defense and global logistics hub. The West Virginia tech corridor and Idaho national laboratory are two other examples of places that are transforming as a result of congressional earmarks. Chase argued that the focus in creating new institutions should be on wealth generation rather than on employment. Yaro concluded the seminar with the summation that we must create policies and governance structures to ensure that these “happy accidents” become the norm.
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