

## Q&A with Bruce Katz

The vice president and founding director of the Metropolitan Policy Program at the Brookings Institution in Washington, D.C., discusses a range of ideas, including an overhaul of federal policy to improve cities.

*This past June, the Metropolitan Policy Program at the Brookings Institution played host to the Summit for American Prosperity. The event, part of the institution's Blueprint for American Prosperity effort, was a chance for Brookings to gather together decision makers, present research findings, and chart a course for, as the institution put it, "unleashing the potential of a metropolitan nation."*

*The Brookings Institution argues that the United States is a metropolitan nation, with 65 percent of its population living in the 100 largest metropolitan areas, which generate 75 percent of its gross national product. Therefore, changes need to be made to federal, state, and local policy, including improving partnerships, to increase prosperity in metropolitan areas.*

*The Metropolitan Policy Program seeks to improve innovation, create high-quality places, invest in human capital, and upgrade the nation's infrastructure. Among its specific recommendations for the federal government are an expanded earned income tax credit and a sustainability challenge.*

*Bruce Katz, vice president and founding director of the Metropolitan Policy Program, discusses a range of ideas, including his belief in American innovation and a grass-roots, bottom-up approach to improving cities, with an overhaul of federal policy to complement it.*

**Where did the nucleus of the Summit for American Prosperity come from? Why do this, and why now?**

Those of us at the Metropolitan Policy Program at Brookings have



been working with states and metropolitan areas for a decade and felt that we had something to say in the 2008 election. We felt that we could add up a lot of what we have learned from working with corporate, civic, and political leaders in metropolitan areas and states. What we believe, and what has been proven correct by this process, is that the circuitry between all this innovation and energy that is happening at the local and metro level is broken at times between the state and national level. So we are in some ways being a conduit for some very smart people doing very innovative things. The impact of their efforts could be greatly enhanced if we had a smart federal government.

**Can you give an example where the federal government is helpful in this situation—and an example where it is clearly not?**

The federal government has had some particular programs and policies in the recent past that have had a major impact. Think about public housing and redevelopment in the 1990s. That obviously took some of the worst examples of federal failure

and converted them into possibilities for renewal in inner cities and older suburbs. So the HOPE VI program is clearly an example of very smart federal government intervention that leveraged billions and billions of private sector financing and public sector investments.

In this decade, some of what the U.S. Department of Transportation has done to try to catalyze adoption of congestion pricing has been very smart. The U.S. Labor Department has done some smart things in skills training and metropolitan clusters. But they do tend to be rifle-shot programs that really don't add up to a coherent whole. They almost tend to be exceptions to the norm because the structural and systemic effect of national policy is mostly to ignore metros as economic engines and, in many places, to undermine them.

What we are trying to say, basically, is that the federal government acting in service of metropolitan prosperity should be the norm, and that is going to require some structural and systemic changes.

**Is the American mindset ready for this? How do you roll it out to the masses? America's folklore is steeped in small-town and rural traditions.**

I was part of a campaign that was rolling out urban policy earlier this year, and at the end of a campaign stop, they were playing John Mellencamp's "Small Town." I don't think they understood the disconnect. We have a lag in popular understanding of how radically the country has changed. Therefore, the political lag to some extent represents the popular lag. So there is a bit of an



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education proponent to this that is very profound. It varies by region; it is not uniform across the United States. Places like the West and the Sunbelt are almost completely metropolitan in terms of their form, and there is more of an understanding, particularly from a sustainability perspective, that there are limits to growth due to water constraints and topography in those areas.

This is not a one-year effort. What Brookings is trying to do is inform a generation of policy. It is probably going to take that long to have an impact in a systemic and meaningful way, but the key is to start. The next administration and Congress is as good a time and place as any.

**Do you see a change in the core values among the population? For example, younger voters are more racially tolerant and more in favor of universal health care. So are they more inclined to support transit options and affordable housing and other parts of a metro nation?**

The preferences of the younger generation are quite distinct because they have been brought up on a popular culture that has celebrated cities and urban living. When I was growing up, the most popular movie was *Blade Runner*, and we had these apocalyptic visions of cities and of density. Now, with *Sex in the City* and other sitcoms and movies, the exact opposite has been portrayed. There is obviously a back-and-forth dialectic between a generation and popular culture, and that is going to have a much more profound effect on urban and metropolitan form than anyone really realizes.

The other issue is pricing. The price of gas and whether we institute pricing regimes for congestion or for energy use will radically change people's behavior. What we're doing in our national policy that is so far behind is that we are sending the wrong price signals, so people are consuming more and not conforming to the real price of their activity. Brookings always likes to talk about preferences and prices.

**Developers, architects, urban designers, and related professions offer an interesting cross section of political views and, in many ways, can come to agreement on real estate issues. They can let the market work for the best results and sometimes direct public investment as the only way to get things done. How can this effort cross the aisle and work with both parties in Congress?**

Many of the principles we at Brookings espouse are both conservative and liberal and tend to cross party lines. That's because we are trying

**Many firms and individuals in the real estate sector will need to rethink and retool what they do to conform—not with governmental dictates, but with markets and preferences and the new realities of prices.**

to be very pragmatic and fiscally responsible, environmentally sensitive, and very competitively focused. The ideological orthodoxy has really failed the country because it doesn't reflect the complexity of the nation, the changing nature of the country, and the geography of the way we live. We are sort of victims of ideological orthodoxies. We regard this as something that is likely to be picked up by Republicans and Democrats, and we are judiciously nonpartisan. We may be the last nonpartisan think tank in Washington.

The issue here is that the country faces supersized challenges. The population understands it, and they are waiting for the political class to provide answers. In many respects, the Democratic and Republican parties should be competing over this issue. They should be competing over competitiveness. They should be competing

over how to adapt to globalization, how to deal with climate.

These are big, historic challenges for the country, and no party owns the answers to them. Most of the answers are being developed at the ground level because the rubber hits the road if you are a mayor, county leader, business executive, or chamber executive in a region that is slowly transitioning from an industrial economy or feeling the pressure of competition. Our agenda is up for grabs. It is a metropolitan agenda. Most metro areas have elected officials locally who are from both parties and they collaborate across parties. They are less partisan at the local level. Their electorate compels them to address issues.

**HOPE VI is a good example of when you invest millions, you get billions in return.**

HOPE VI survived under George Bush because of Republican congressional leaders—because they understood this was about creating markets and leveraging private sector and public sector financing and really breaking down barriers between housing and welfare to work and transportation. So HOPE VI is emblematic of a new way of governing that really is beyond party, and many of our efforts are similar to that.

**Give an example of how you think we should measure performance and, linked to that, how important the U.S. census is and whether we need to expand its role.**

For a country as entrepreneurial as we are, it is really quite strange how little we invest in data collected by public entities and disseminated and democratized. We are essentially creating enormous inefficiencies in this country because the central government and the states are not as committed to evidence-based policy making as they could be, or just disseminating policy in a democratic way.

A price tag of tens of millions would ensure that hundreds of billions in public and private sector

investment are spent wisely and strategically without any government dictate whatsoever. It's just that people do smart things. We're only here for a short period of time and you want to have an impact in your business or public life. So information is the foundation of all of this.

We've drifted away from it because we have become sort of lax and we have not felt as much as we do today the pressure of globalization and wage stagnation and climate. Well, if we are going to deal with these issues, we better become a fact-filled zone. We have to get really serious. That is a conservative idea. It may actually allow us to spend less over time. If you unveiled the market potential of inner cities, the private sector obviously will need some level of subsidy to engage, but will have probably more effect than traditional programs that have tried to stimulate economies without that level of transparency.

I'm sort of stunned we haven't done more of this. We are going to be coming out with quite ambitious information and data efforts and performance measures. The country does need to set some goals, and we're going to set them on greenhouse gas emissions. We need to set them on racial and ethnic disparities in education. We need to set them on innovation. Then we need results. We don't have to set a lot of goals. We just need to set ones that really matter and then measure progress on them both at a national level and at a metro level, and then hold ourselves accountable.

**Condo developers are now doing wind power because there are incentives there. When there are policy changes that affect how real estate developers, urban designers, and architects do their work, what advice do you have in light of potential changes at the federal level?**

What is now a small part of the real estate sector—urban regeneration and redevelopment, transit-oriented development, the remaking of older

suburbs, and all the things that are fiscally wise and environmentally sensible—is going to become more and more of the norm in the United States to meet broader economic and environmental goals as the country grows and evolves. My sense is that many firms and individuals in the real estate sector will need to rethink and retool what they do to conform—not with governmental dictates, but with markets and preferences and the new realities of prices.

If gas is going to be \$4 a gallon for any long period of time, or even \$3 a gallon, we are in a completely different world. Given the incomes people make, their housing choices—particularly their ability to live far away from employment nodes—will be circumscribed. That is going to radically change the real estate sector much more profoundly than anyone anticipates. So those firms that have already retooled and are providing an urban and older suburban product, or a product that is closer to transit or commuter rail, are better positioned to perform well for their shareholders or their owners.

This is about capitalism and making markets work. In the real estate sector, we have had a fairly narrow vision of the market for some time, but a whole bunch of different forces, policy being one of them, is about to change that. It already is changing it, but this is about to accelerate. A lot of what we are talking about here is inevitable, but the question is whether policy will accelerate it, deepen it, broaden it, leverage it, or just make it more difficult to do. But given the big challenges, policy needs to come into alignment. **UL**