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The Revitalization of Older Industrial Cities: A Review Essay of Retooling for Growth

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THE REVITALIZATION OF OLDER INDUSTRIAL CITIES:
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ABSTRACT

This review essay debates the policy issues raised by the book *Retooling for Growth: Building a 21st Century Economy in America's Older Industrial Areas*, edited by Richard M. McGahey and Jennifer S. Vey (Brookings Institution Press, 2008). I argue that the main rationale for adopting policies to revitalize older industrial cities is to improve the per capita earnings of urban residents. Therefore, urban economic development policy should be seen as urban labor market policy. Increasing city residents' earnings requires progress on two fronts: increasing metropolitan labor demand; increasing the quantity and quality of the effective labor supply of city residents so that they can better access high-quality jobs. Effective policies to increase metropolitan labor demand include: reforms to business incentive policies to place more emphasis on providing corporations with in-kind incentives such as customized job training; helping small and medium-sized businesses by providing them with useful information to enhance business productivity. Effective policies to increase city residents' labor supply include: high-quality preschool education; more time during the early elementary years on core learning tasks; reforming high school to develop stronger links with careers and employers; expanding community college efforts that provide useful career training for high-quality jobs.

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1. INTRODUCTION

This essay will provide some ideas about how policymakers can best boost the economic development of older industrial cities. I aim to identify policies with high leverage—with the most economic development benefits compared to costs—for cities that have suffered from deindustrialization and consequent economic decline.

This essay is inspired by and draws on the recent book *Retooling for Growth: Building a 21st Century Economy in America's Older Industrial Areas*, edited by Richard McGahey, a program officer in the Economic Development Unit at the Ford Foundation, and Jennifer Vey, a fellow in the Metropolitan Policy Program at the Brookings Institution. The book is published by the Brookings Institution, which, through its Metropolitan Policy Program, has conducted or sponsored policy-oriented research that represents a mainstream moderate position on how to solve these urban problems. While this book includes some of the best ideas from scholars and policy practitioners concerned with older cities and their residents, it does not have an overview chapter that unifies the ideas offered by the various authors.

This essay attempts to provide an augmented "book review" by drawing together some themes from this book, identifying issues that need greater emphasis, and disagreeing with some of the book's conclusions. I attempt to advance the policy dialogue about older industrial cities.

The main focus of this essay is on the perspective of a metropolitan area's or city's policymakers on what can be done to improve the economic development of a particular metropolitan area or city. However, a penultimate section will briefly consider the national perspective.

2. SUMMARY OF THE URBAN PROBLEMS AND SOLUTIONS IDENTIFIED IN THE BOOK

What is the economic problem in older industrial cities? I think this is well known, and it is reviewed in the chapters by McGahey (chapter 1), Vey (chapter 2), Wolman, Hill, Blumenthal, and Furdell (chapter 6), Luria and Rogers (chapter 9), and Finkle, Farmise, and Nourick (chapter 11). These cities have lost their former economic base of traditional manufacturing to some combination of suburbs, other U.S. regions, and other countries (the last of which is particularly emphasized by Luria and Rogers). This leaves behind vacant industrial land, which frequently suffers from actual or perceived environmental problems (an issue particularly emphasized by Finkle, Farmise and Nourick in chapter 11). The loss of jobs also leaves behind increased unemployment and underemployment, and persistent poverty with its attendant social problems (these issues are particularly emphasized by Pastor and Benner (chapter 4), Wolman, Hill, Blumenthal, and Furdell (chapter 6), Turner, Davis, and Cruz (chapter 8), Kazis and Seltzer (chapter 12), and Blackwell and Fox (chapter 13).

What solutions do the book's chapters offer to the economic problem in older industrial cities? In this section, I summarize each chapter's main themes. I also provide some background on the authors, which helps identify their expertise and perspectives.

Chapter 1, by **Richard McGahey** of the Ford Foundation, critiques economic development incentives, suggests reforms to incentives, and discusses industrial clusters, regional workforce development, and regional cooperation.

Chapter 2, by **Jennifer Vey** of the Brookings Institution, discusses state government policies toward older industrial cities. Her chapter mentions many diverse policy interventions: school funding reform, crime reduction policies, revenue sharing, downtown investments, investing in industrial clusters, improving transit, workforce development, and housing programs.

Chapter 3, by **Randall Kempner** of the Council on Competitiveness (an organization involving corporate CEOs , university presidents, and labor leaders concerned with U.S. economic competitiveness), discusses how cities might improve their pools of individuals with "talent" or job skills.

Chapter 4, by **Manuel Pastor** and **Chris Benner** of the University of Southern California and the University of California-Davis, respectively, discusses how greater equity in metro areas between income groups, and between cities and suburbs, might promote greater per capita income growth in metro areas.

Chapter 5, by **Stephen Moret**, **Mick Fleming**, and **Pauline Hovey**, who are associated with national and local chambers of commerce, discusses the growing role of regional chambers of commerce in economic development in metro areas.

Chapter 6, by **Harold Wolman** (George Washington University and Brookings Institution), **Edward Hill** (Cleveland State), **Pamela Blumenthal** (George Washington University), and **Kimberly Furdell** (George Washington University) identifies cities that have weak growth or have many residents with economic problems, and metro areas that have weak growth. The chapter looks at the relationship between weak metro growth and city growth and residents' economic conditions, and looks at the causes of weakness in metro or city growth or city residents' economic conditions.

Chapter 7, by **Ann Markusen** (University of Minnesota) and **Greg Schrock** (University of Illinois-Chicago) argues that regional economic development policy should pay more attention to labor. In particular, economic development policy should focus more on occupations and training, even if they are not linked to export-base industries.

Chapter 8, by **Mark Turner**, **Laurel Davis,** and **Andres Cruz** of the consulting firm Optimal Solutions, uses a methodology previously developed by Jobs for the Future to identify "good occupations" for low-skilled workers in four particular metropolitan areas. These identified "good occupations" serve as useful targets for workforce development and education policies.

Chapter 9, by **Daniel Luria** of the Michigan Manufacturing Technology Center, a manufacturing extension program, and **Joel Rogers** of the University of Wisconsin and Center on Wisconsin Strategy, discusses the causes of manufacturing decline in the north central region of the United States and in the United States as a whole. Their suggested solutions include reformed national trade policies and regional policies to improve manufacturing productivity and worker job skills.

Chapter 10, by **Rachel Weber** (University of Illinois-Chicago), discusses how economic development incentives can be better designed and monitored to ensure more accountability for results.

Chapter 11, by **Jeffrey Finkle**, **Shari Garmise**, and **Shari Nourick**, with Nourick from a consulting firm and the others from the International Economic Development Council, the most prominent professional association for economic developers in the United States, recommends that economic development of older cities place more emphasis on developing brownfield sites, improving the competitiveness of small business, improving job skills, and generating high-tech spinoffs from local universities.

Chapter 12, by **Richard Kazis** and **Marlene Seltzer** of Jobs for the Future, an organization concerned with workforce training and education reform, discusses how workforce development and education can be better linked to economic development.

Chapter 13, by **Angela Glover Blackwell** and **Radhika Fox** of PolicyLink, a group concerned with more equitable development policy in the United States, discusses how local development policies can provide more benefits to disadvantaged groups through sectoral training programs, community benefit agreements, and support for minority business enterprises.

Chapter 14, by **Jeremy Nowak** of the Reinvestment Fund, a group that does social investment in development projects in the mid-Atlantic region, and particularly in Philadelphia, discusses how social investment in development projects can promote moderate income housing development, charter school development, reinvestment in older manufacturing companies, and inner city food retail centers.

An appendix to the book presents a policy statement by the "American Assembly," sponsor of the conference that led to this book. The American Assembly is a "good government" group started by Dwight Eisenhower in 1950, when he was president of Columbia University, and which continues to be affiliated with Columbia University. The appendix focuses on such themes as reorienting economic development policy toward more selective use of tax incentives and more emphasis on entrepreneurship and clusters, increasing the quality of local human capital through improved schools and workforce training, and improving urban infrastructure with national and state funding.

Because of the book's diversity of themes, it is impossible to critique in any detail all of the different chapters' solutions to older cities' economic problems. What I offer in this article is a highlighting of proposed solutions that, in my view, deserve greater emphasis, and some that I wish had received less emphasis.

3. WHY MIGHT WE WANT TO IMPROVE ECONOMIC DEVELOPMENT IN OLDER INDUSTRIAL CITIES?

Similar to other articles and books about older cities, much of the book talks about city or metropolitan economic development as a goal in and of itself. This perspective is incomplete and sometimes misleading. Ultimately, urban and regional policy, like any policy, stands or falls based on its benefits and costs to people, not places. We care about the fate of older industrial cities and their surrounding metropolitan area because of their people. The residents of these older cities and metropolitan areas have ties to the familiar places and people of their home. These ties mean that individuals may gain due to improvements in the economic development of their metropolitan area or city. If people had no ties to particular places, then improvements in just one particular area or city would have no consequences except for those who owned land there.

What are these benefits from the economic development of a particular metropolitan area or city? They include

- earnings gains of the original local residents, due to becoming employed or moving up to better jobs,

- gains in business profits of businesses with some specific advantages in that metropolitan area,
- gains in the value of land and real estate that accrue to local real estate owners,
- gains to governments in the form of tax revenue exceeding public service costs, and
- gains to in-migrants to the area.

Of these possible benefits, the empirical evidence suggests that the increase in earnings per person of the original local residents is by far the most important. Empirical studies suggest that such earnings gains are likely to be 70% of the total gains.[1]

Therefore, the primary goal of the economic development of older urban areas is to increase the earnings per capita of the original local residents. This perspective is reflected to some degree in the book, but not consistently. The importance of per capita earnings as a goal, as opposed to development or growth in and of itself, receives particular emphasis in chapters by Pastor and Benner (chapter 4); Wolman et al. (chapter 6); Markusen and Schrock (chapter 7); Turner et al. (chapter 8); Luria and Rogers (chapter 9); Kazis and Seltzer (chapter 12); and Blackwell and Fox (chapter 13).

This might seem an academic debate. Economic growth of a region often increases per capita income. So why distinguish between development and per capita earnings as goals? One reason this distinction is useful is that not all types of economic development have equal effects on earnings per dollar of resources. Therefore, if we are focused on the primary goal of

[1] The 70% figure is derived from Bartik (2005a). That article considers the effects of an economic development policy that induces a 1% increase in local employment. This 1% employment shock is estimated to increase the net after-tax earnings per capita of local residents by 0.28% of local personal income. The gains in profits and other gains capitalized into land values are 0.07% of local personal income. The fiscal surplus generated for state and local governments is 0.05% of local personal income. Gains to in-migrants are nil. Total identified gains are 0.40%; 0.28% is 70% of 0.40%.

increasing earnings per capita, we may choose different policies than we would if we valued growth and development in and of itself.

Second, if increasing per capita earnings is the goal, this immediately suggests a framework for analyzing economic development. Development becomes linked most of all to what happens in the local labor market. Understanding local labor markets becomes the key to understanding local economic development. We can enhance per capita earnings by increasing the quantity and quality of labor demand. We can also enhance per capita earnings by increasing the quantity and quality of labor supply. Intervening on either side of the market has both advantages and disadvantages. Intervening on both the labor demand and labor supply sides makes sense as a strategy. In contrast, if "urban revitalization" is the goal, it is unclear what exactly this means or what particular policies must be addressed to achieve this goal.

In other words, urban economic development policy should be seen as local labor market policy. This clarifies both the goals and methods of urban economic development policy.

It could be asked why increasing per capita earnings of urban residents is an important goal. There are other ways to improve the well-being of urban residents. For example, the well-being of urban residents would be improved by lower crime, better housing, better schools, better local air and water quality, and better recreation opportunities. Putting a high priority on urban economic development—higher earnings per capita for urban residents—is justified under the assumption that such higher earnings plays a key catalytic role in improving all aspects of urban life. If per capita earnings are higher for all or most urban residents, then many of these other determinants of urban quality of life would automatically improve. For example, crime will tend to go down and housing and schools will improve. In addition, with higher per capita earnings, it is easier to find tax revenue to fund policies to further improve the urban quality of life, such as lower class size in schools, environmental clean-ups, and more recreational space.

4. IDEAS ABOUT URBAN ECONOMIC DEVELOPMENT

In thinking about how to enhance the economic development of older urban areas—which, per the above discussion, I am interpreting as how to enhance the per capita earnings of the original residents of the area, particularly more needy residents—requires clarifying some ideas. There are some ideas about economic development in the following categories: erroneous ideas that should be disregarded, possibly true ideas that are not particularly useful for policy because either the evidence is ambiguous or the policy implications are not specific enough, and ideas that are useful because they have more research backing and more specific implications for policy.

Erroneous Ideas

I've already mentioned one erroneous idea: public policy should value places in and of themselves, rather than valuing people. Another erroneous idea is the idea that local policies can be usefully analyzed as if people are perfectly mobile. If people were perfectly mobile, then wages, rents and all other local characteristics would immediately adjust to equalize well-being across all local areas.[2] If people were perfectly mobile, any policy seeking to improve a local area could not improve the well-being of any local resident who was not a landowner. Urban economic development policy could not help the poor.

[2] Edward Glaeser and Joshua Gottlieb's (2008) recent paper makes the argument that this perspective is appropriate for policy analysis in the medium run and long run. For the reasons given later in this essay, I agree with them for long run analysis, but not for medium-run analysis.

Empirical evidence suggests that this idea is untrue. Policies that affect local labor demand do persistently affect local employment rates and earnings rates for periods of up to 20 years (Bartik 1993a).

We can explain this empirical finding as due to a combination of two factors: 1) people are not extremely mobile in the short run, and 2) history influences what people are able to do (Bartik 1991). What happens to local labor demand affects the number and types of jobs that imperfectly mobile local residents can obtain in the short run. The history of a person's job experiences affects what jobs he or she is able to get in their future. Job experience affects an individual's job skills, self-confidence, and reputation with employers. All of these factors affect an individual's long-run equilibrium employment rate and wage rate. I have explained this phenomenon under the label of "hysteresis" (when a system's equilibrium depends on the system's history), but perhaps this phenomenon is more simply described as "history matters."

A related erroneous idea is the notion that it is as desirable to try to move people to jobs as jobs to people. Not so, and Roger Bolton demonstrated the contrary some years ago (Bolton 1971; see also Bartik 1994a). Suppose that people have social ties to their home area that they value. Suppose further that labor markets are such that there is some gain to getting a job. For example, suppose that an unemployed person would gain $W0-R$ (their wage $W0$ minus somereservation value R they place on their time) from getting a job in their current local area. They could be employed at wage $W1$ in some other local area, but prefer to remain in their current local area. Their preference means they lose utility whose money value is M from moving. An incentive B to a business to employ that person in this local area will be effective if B is greater than L, the reduced profits from taking this action rather than the business's best alternative without the incentive. An effective incentive B will have net social benefits if $W0-R$ is greater than L. If that is the case, there will be some B that is more than L and less than $W0-R$ that will induce this added hiring of this person in their current local area, and realize net benefits of $W0-R-L$. On the other hand, an incentive S to the person to move will not work unless S exceeds M. In that case, the individual has benefits $S-M$ from moving, and taxpayers lose S, so net social benefits of the induced move must be $(-M)$, that is, the difference between the person's expected utility from staying versus their expected utility from moving without any subsidy.

Another way to analyze the issue is to focus on whether there are any external benefits or costs of the business's or the person's behavior that justify the business incentive or the moving incentive. Without any government intervention, the individual is acting rationally, because psychological and financial costs from moving to a new area are real costs, and there are no externalities from the person's moving behavior that justify the household moving incentives. On the other hand, the business's hiring of this person in their current area does have external benefits to the person hired. These external benefits justify some level of business incentives. If that justified level of business incentives exceeds the loss in profitability from the hiring, then the business incentives will be both effective and economically efficient.

Possibly True Ideas That Are Not Current Useful Guides to Policy

One potentially true but not particularly useful idea is that there are spillover benefits of a higher percentage of college graduates in a local labor market. These spillover effects could occur if an increase in one resident's educational level increases the productivity of other local workers. These external effects of one person's education on nearby workers' productivity might occur through several transmission mechanisms: individuals may learn from their neighbors, businesses might design workplaces in part based on average education levels, or a more educated worker might be more inclined to be an entrepreneur who will introduce innovations that raise productivity (Glaeser and Gottlieb 2008; Acs and Armington 2006).

Some empirical findings are consistent with spillover benefits of education in local labor markets. An individual's wages appear to be positively affected not only by the individual's own education, but also positively affected by the percentage of college graduates in the local labor market (Moretti 2004). These wage increases could be interpreted as evidence of higher productivity due to a higher percentage of college graduates in the local labor market. If these wage increases do not fully adjust for higher productivity, then a higher percentage of college graduates in a local labor market will also attract employment growth. Empirical research suggests that a higher percentage of college graduates in a local labor market is correlated with future growth in that local labor market (Glaeser and Saiz 2004).

In the current book, Glaeser's findings are referred to in the chapters by Kempner (chapter 3) and Wolman et al. (chapter 6). These findings help rationalize the idea that policies that increase college graduation in a local economy are important to urban revitalization.

There is certainly some serious evidence for this idea of education spillovers in local economies. My own view is that it has some truth. It can sometimes be useful in rhetoric arguing for skills development policies, and I have so used it (Bartik 2005b).

Why, then, do I say that this idea is not particularly useful for policy? First, this idea can be challenged. Perhaps the percentage of college graduates is merely a proxy for unobserved attributes of the metropolitan area that independently affect wages and growth (see Lange and

Topel 2006). Second, even if there are productivity spillovers of education, the effects of college graduates on growth depend upon whether college graduates' effects on local productivity exceed their effects on wages, and we don't know when this is most likely to be the case. Third, we do not know which particular skills have the most spillover effects, and under what local labor market conditions these spillover effects will be most evident. Do community college skills have spillover effects? Do math and science majors have more spillover effects than other majors? Do spillover effects depend upon what industries the area specialize in? We don't know. This makes it hard to use such spillovers as a way of designing human capital development policies to promote an area's economic development. The spillover research literature is helpful as part of general rhetoric promoting the idea of skills development. It is not so helpful in designing specific policies.

A second idea that is not particularly useful, even though it is potentially true, is that a stronger city promotes metropolitan economic development, or that lower poverty or inequality in a metropolitan area promotes metropolitan economic development. As argued by Blackwell and Fox in chapter 13, it is quite plausible that "inequity hampers economic growth largely because it prevents the development and optimal utilization of a city's most valuable assets—its people" (pp. 351–352). In addition, there is research, referenced in the current book in the Pastor and Benner and Wolman et al. chapters that suggests that city growth promotes metropolitan growth (Voith 1998; Barnes and Ledebur 1998). The chapter by Pastor and Benner also presents new evidence that less inequality promotes metropolitan growth. Several chapters in the book (Pastor and Benner; McGahey; Blackwell and Fox) reference work by my colleagues Randy

Eberts and George Erickcek that less inequality and less racial disparity promote stronger metropolitan areas (Eberts, Erickcek, and Kleinhenz 2006).

The idea that stronger cities and less inequality promote metropolitan growth is interesting, provocative, and perhaps true. But it is not especially useful for policy for several reasons. First, there are numerous questions that can be raised about whether these results could be explained by reverse causation: stronger metropolitan growth may cause stronger cities and less inequality. Therefore, it is possible that stronger cities and less inequality do NOT cause faster metropolitan growth. Second, we don't know why or how a stronger city or less inequality may promote metropolitan growth. Therefore, these general findings do not lend substantial support to specific policies to redistribute resources to cities and the poor to promote overall metropolitan growth. For example, advocates of metropolitan tax base sharing will be legitimately asked how they can prove that such sharing with the central city will promote metropolitan growth. But we do not know whether the fiscal condition or level of public services in the central city is the reason for the observed positive correlation between city economic conditions and metropolitan growth. Perhaps the positive correlation is due to some other feature of strong cities, such as the economic vitality of city businesses. Therefore, the observed positive correlations between city economic conditions and metropolitan growth do not provide strong political support for tax base sharing.

A third idea that is not particularly useful for policy, even though it is potentially true, is that clusters of related industries have some special synergies that can be usefully exploited for policy purposes. I have no doubt that there are economic reasons for industries clustering together. It is a commonplace of regional economic theory, at least dating back to Alfred

Marshall, that these “agglomeration economies” could be due to the advantages to firms from sharing common labor pools or supplier pools, or from stealing ideas from each other. It is certainly plausible and even likely that in some cases such clustering boosts productivity.

If clustering boosts productivity in a knowable and predictable way, this has extremely strong implications for policy. If we know that some firms expanding in the cluster would boost productivity at other firms, we should provide subsidies to help those firms expand. The magnitude of the subsidy should be equal to the magnitude of the external benefits to other firms.

However, the problem is that no one knows how large such agglomeration economies are, and at what scale of industry or urban activity these agglomeration economies are most important. Are agglomeration economies important up to some particular scale of industrial activity and then unimportant beyond that? We don’t know. Therefore, it is difficult to use such cluster findings as a strong rationale for subsidizing one set of industries rather than another. And it is completely impossible to determine the optimal level of such subsidies. These difficulties are discussed in a recent paper by Glaeser and Gottlieb (2008).

Clusters may be a useful way for economic development consultants to summarize data. There needs to be some way of simplifying a local economy so it can be analyzed in a smaller number of units. It is impossible to simply consider the local economy as consisting of thousands of firms: this is too much data to be meaningfully understood by policy analysts or policymakers. We have to simplify the economy somehow. We need to somehow lump the firms into a reasonable number of meaningful groups.

There are many ways of grouping firms. Grouping firms into industries is one way to do so. Firms in the same industry are likely to be affected similarly by demand conditions and often by local supply conditions in labor markets and supplier markets.

Grouping firms into clusters of related industries and their suppliers may be useful. Clusters are likely to be similarly affected by demand conditions. The competitiveness of firms in the cluster likely affects other firms in the cluster. On the other hand, firms in one cluster that sell goods to one another may not have similar uses of labor. Therefore, clusters may be less useful in designing local labor supply policies.

For some purposes, it is useful to instead group economic activity by occupations. As Ann Markusen has argued in numerous places, including her chapter with Schrock in this book, analyzing local economic activity in terms of an area's occupational strengths and weaknesses is often useful. Occupational strengths and weaknesses suggest which industries an area might want to target. These occupational strengths and weaknesses also suggest areas of emphasis of local workforce policies.

For other purposes, we might group firms by whether they are small firms that need support services of various kinds. This is the whole point of business incubators, which group firms in one place so that they can be provided with various logistical supports and sometimes business advice supports. These business incubator policies are praised in this book in the chapter by Finkle, Garmise, and Nourick.

For other purposes, we might group firms by whether they are small older manufacturers who might usefully benefit from business consulting advice on the newest best practices in technology, workplace organization, and marketing. This is of course what manufacturing extension services try to do. In this book, the importance of such manufacturing extension services is highlighted most in the chapter by Luria and Rogers.

The point is that clusters have no unique virtues for policy purposes as a way of simplifying our understanding of local economies. A really flexible economic development policy will group firms, jobs, and workers in multiple ways to reflect the multiple types of needs that might be addressed by urban economic development policies.

As in most recent writings on economic development, this book has many chapters that discuss clusters to some extent (chapters by McGahey; Vey; Kempner, Kazis and, Seltzer; and the appendix by the American Assembly). None goes so far as to advocate using clusters to guide the magnitudes of business subsidies. Yet the concept is felt to be somehow useful, even though that usefulness is unclear. What I am suggesting is that the unique usefulness of the cluster concept is exaggerated.

Useful Unifying Ideas for Policy

One useful idea is that what happens to labor demand in a metropolitan area has large consequences for employment rates and wage rates throughout the metropolitan area. By labor demand, I mean the quantity of labor demand for different skill levels and different types of labor. I also mean the wage rates offered by employers relative to educational and other credentials, which affects the quality of jobs that are offered.

This idea is endorsed in this book, particularly in the chapters by Pastor and Benner, and Wolman et al. These authors find, as has been found numerous times in the research literature (see, for example, Bartik 2001), that metropolitan area unemployment rates, employment growth or other metropolitan labor demand variables are powerfully correlated with labor market outcomes throughout the metro area, including poverty in the inner city.

Why is this so? Metropolitan areas are deliberately defined so that they approximate local labor markets. Metropolitan areas are groupings of counties within which there is a significant volume of commuting. Widespread commuting means that what happens in one part of the metropolitan labor market is relatively quickly translated into labor market effects throughout the metropolitan labor market. For example, if a job is created in a far suburb, a suburban worker currently commuting to downtown may take the job. This opens up a vacancy in downtown, which may be accessible to a city worker who has no transportation access to the far suburb.

This idea usefully suggests that policies that improve the quantity and quality of metropolitan labor demand may make an important contribution to increasing the earnings per capita of the current residents of older industrial cities. As Wolman et al. say in chapter 7:

> Economically health cities are part of a healthy metropolitan economy. There are very few instances of economically healthy cities in economically distressed metropolitan areas. Efforts, both public and private, to deal with the problems of economically distressed cities must be directed in large part to metropolitan-level economic development. (p. 169)

Stronger metropolitan labor demand has progressive effects on the distribution of income. However, these effects are not nearly as progressive as social welfare programs that target the poor or near-poor (Bartik 2001, chapter 5; Bartik 1994b). For example, stronger local labor demand has effects on the income of various income quintiles that are lower in dollars for lower income quintiles (while higher in percentage terms) (Bartik 2001, Table 5.3, p. 120). Therefore, we may need policies to increase the progressivity of effects of stronger metropolitan labor demand. In the current book, Blackwell and Fox somewhat overstate this reasonable case for supplementary economic development policies targeted at overall metro labor demand:

> [A]lthough most economic development initiatives generally provide some trickle-down benefits to lower-income and minority residents…unless a conscious up-front effort is made to create deliberate linkages, benefits primarily accrue to new residents, businesses, or commuters, while poverty rates, racial income gaps, and neighborhoods of concentrated poverty persists. (p. 354)

Various policies can increase the effects of metropolitan labor demand on particular groups, such as inner city workers, or less-skilled workers. For example, there is some influence of the geographic distribution of labor demand within metropolitan areas on workers who live in different places (the spatial mismatch hypothesis) (Raphael 1998; Rogers 1997; Holzer and Ihlanfeldt 1996; Ihlanfeldt 1992). However, the evidence suggests that the within-metro distribution of labor demand is less important than the overall level of metropolitan labor demand (Bartik 1993b).

We can also try to increase the access of less-educated workers, or disadvantaged persons, to the jobs created in the metropolitan labor demand. This is discussed further in the rest of this essay. It is a special concern in many chapters in this book, most notably the chapter by Blackwell and Fox.

A second useful unifying idea for policy is the notion of stimulating local earnings per capita by increasing the quantity and quality of labor supply of the existing population. Contrary to what is sometimes thought, a fairly high proportion of people stay in the same state or metro area over time. For example, among all persons, somewhere in the range of 60% to 70% stay in the same state over their working careers. Among the college educated population, 50% to 60% stay in the same state over their working careers. For metro areas, among all persons, 45% to

55% stay in the same metro area for much of their working careers. Among the college-educated population, 35% to 45% stay in the same metropolitan area over their working careers (Bartik 2009). These percentages decline somewhat for smaller metropolitan areas, or slower-growing metropolitan areas, but not by much. Therefore, if a state or local policy invests in developing the skills of its young people, many of those young people will stick around to augment the supply of skills for the metropolitan area.

An increase in labor supply will help to stimulate labor demand. The available evidence suggests that an increase in labor supply probably stimulates labor demand by at least two-thirds of the supply shock (Bartik 2001). Additional labor does attract employers; additional higher-skilled labor attracts employers with more skilled jobs.

As Kazis and Seltzer say in their chapter, in attempting to describe the perspective shared by the Brookings Metropolitan Center and many of the urban scholars and practitioners represented in this book:

> [T]he emerging consensus recognizes the dual need to make the city more attractive to quality employers and new good jobs—and to increase the educational and skill attainment of residents so that they can take advantage of new opportunities. (p. 326)

5. PROMISING IDEAS FOR INCREASING URBAN ECONOMIC DEVELOPMENT

Therefore, to increase the per capita earnings of a city's original residents, policymakers must do two things:

1. increase the quantity and quality of the metropolitan area's labor demand;
2. increase the effective quantity and quality of the city residents' labor supply, and their ability to access that increased labor demand.

To be cost effective, these policies must be implemented by programs that are high quality. To be high quality means that these programs have high leverage: large effects on labor demand and labor supply relative to their costs. Although all kinds of policies might potentially be effective, such high "bang for the buck" policies tend to share some common principles.

- Effective policies often focus on businesses and people already in the area, and encourage these businesses and people to stay and improve the quantity and quality of their economic activity. Existing businesses and households in a local area are easier to persuade to make decisions that expand their economic activity in that local area. Luria and Rogers say in their chapter, with respect to targeting businesses, that "…the starting point for almost any effort to increase regional wealth nearly always lies in or around existing specializations." (p. 257)
- Effective policies often focus on businesses and households that are at some particular stage of their life cycle where they are more amenable to their decisions and development being affected by interventions. For example, human capital policy that focuses on early childhood education is particularly effective, because young children's skills are more malleable, and improving young children's skills leads to a virtuous cycle of further investments by society and the child in skills development. (This point has been extensively argued by James Heckman, for example in Cunha and Heckman [2006]). On the business side, new start-ups, or companies facing significant competitive challenges, are often more amenable than the average business to policy interventions.
- Policies are often more effective if they directly link labor demanders seeking to expand labor demand with labor suppliers seeking to expand the quantity and quality of their

labor supply. This helps overcome the transactions costs and inefficiencies in the labor market that make it difficult for suppliers and demanders to find the most productive matches between workers and jobs.

- In general, policies are more effective if they overcome various types of market failures that impede productivity. For example, there are many reasons to think that information is not efficiently provided to either labor demanders or suppliers. Policies providing reliable information are often cheap and effective. As mentioned below, among the more effective economic development policies are programs that provide existing businesses with information about government regulation and taxes, and programs that provide businesses with information about state-of-the-art ways to improve productivity.
- Finally, as will be discussed below, any policy that provides detailed qualitative services to businesses or households will require tweaking to improve the quality of such services. This tweaking should be based on informed monitoring and evaluation that provides useful feedback to policymakers.

Metropolitan Labor Demand

What are the most cost-effective ways to improve metropolitan labor demand so as to increase the earnings of urban residents?

First, we need to consider what to do about business incentives offered to large corporations to entice them to locate or expand in a metropolitan area. By business incentives, I mean assistance that to some degree is discretionary or customized to the individual situation of the business and its location or expansion decisions. These business incentives include tax incentives such as property tax abatements or job tax credits tied to the number of workers hired. These business incentives also include special discretionary services, such as customized job training. However, available evidence suggests that most business incentives are tax incentives. Estimates of the total annual dollar magnitude of state and local business incentives in the United States range from $20 billion to $50 billion (Bartik 2001; Peters and Fisher 2004; Thomas 2000).

The economic evidence suggests that incentives can affect business location and expansion decisions. However, they are fairly expensive per net new job created for local residents (Bartik 2005a).

One way to make incentives more effective is to tie incentives to contractual restrictions that allow for clawbacks (government recovery from the business of some or all of the incentives' value) if certain job and earnings creation goals are not met. The specifics of how to do so have been outlined by Weber in several publications, including her chapter in this book.

Incentives can also be made more effective by targeting incentives at businesses that pay higher wages, controlling for the educational and other credentials required. Metropolitan economies that have more industries that pay higher wage premia tend to have higher earnings per capita, because higher wage industries tend to drive up overall local wage standards as well as increase local labor force participation rates (Bartik 1994b). Calculations suggest that attracting businesses that pay a 10% higher wage premia relative to credentials required increases the net earnings effects of new businesses by about one-third (Bartik forthcoming).

Incentives will have greater effects on local residents' earnings if incentive packages include well-run "first-source" programs: programs that encourage the new or expanding businesses to hire unemployed local residents, and help screen and train the unemployed workers so that they are relatively productive hires. First-source programs are mentioned most prominently in the current book in the chapters by Weber and Blackwell and Fox. A natural concern is that attaching "strings" to incentives, such as first-source requirements, may reduce or even eliminate the effectiveness of incentives in encouraging business location and expansions. Research suggests that first-source requirements can have neutral or even positive effects on business location and expansion decisions if these first-source programs are designed to be more carrot than stick (Bartik 2001, pp. 255–258; Bartik 2004a). Assisted businesses should be required to "consider" for job openings, but not necessarily hire, job applicants referred via a local workforce system. In referring unemployed workers, the local workforce system must seek to both help unemployed residents and to provide new or expanding employers with hires who are relatively more productive than the typical new hire. This can be done with aggressive screening and training components in these first-source programs, accompanied by consultation with the employer about what skills are needed. Such high-quality first-source programs may be a net plus for business productivity, because without labor market intermediaries, many hires in the market for less-educated workers do not work out for employers. Examples of effective "first source" programs include the Berkeley First Source program, and the former JobNet program in Portland, Oregon (Bartik 2001; Bartik 2004a).

Incentives can also be made more effective by moving from tax incentives and other cash incentives that are distributed over time, to in-kind incentives that are distributed up front, such as customized job training and specialized infrastructure. The evidence suggests that corporations use relatively high discount rates to discount future cash flows, including the future benefits from tax incentive packages. These discount rates are much higher than appropriate social discount rates to be used by government policymakers. Therefore, location decisions can be altered more, at less present value costs to the taxpayer, by providing incentives up front. However, up-front incentives have a disadvantage for the taxpayers: such up-front incentives increase the risk of a net social cost if the firm takes the incentive now and than reneges on its job creation commitments. Although clawback provisions in incentive contracts can help address this issue, such clawback provisions can be difficult to enforce. An alternative way to address this issue is to provide more of the incentive in the form of in-kind services whose value will to some extent remain behind in the local area even if the assisted business moves away. Trained workers (to some extent) and better local infrastructure will continue to be available in the local area even if the business does not fulfill its commitments.

In addition, there is considerable evidence that training incentives can often provide services to assisted corporations that are more valuable than the same dollars provided as tax breaks. For example, two studies suggest that customized job training incentives are ten to sixteen times more effective in jobs created per dollar of incentive than tax incentives (Hollenbeck 2008; Hoyt, Jepsen, and Troske 2008). Under these customized training programs, export-base firms that are locating and expanding in an area are provided with customized training for their new hires, which typically is carried out by the local community college. North Carolina is probably the leading state providing such customized training services (Osterman and Batt 1993; Bartik 2001). Customized job training programs are advocated by several chapters in *Retooling for Growth*, most notably the chapters by Weber and Blackwell and Fox.

Incentives for large corporations are not the only way to increase labor demand. Urban and metropolitan policymakers should also consider alternative ways to increase metropolitan labor demand. These alternatives should differ in the types of businesses and activities targeted for assistance, and the nature of that assistance. Entrepreneurial training to potential new entrepreneurs has been shown by rigorous experimental methods to have significant effects on the probability of successful business starts (Benus, Wood, and Grover 1994). Even though entrepreneurial training has more rigorous evidence of effectiveness than any other economic development policy, it is not much mentioned in this book, with the exception of some brief discussion in the Finkle et al. chapter, and a plug by Blackwell and Fox for minority business assistance.

Start-up businesses can also be assisted via business incubators, which provide cheap space, shared office support, and business development advice. About 950 business incubators operate in the United States (Adkins 2002). Surveys of incubator client firms find that about two-thirds say that the incubator assistance was important to their business success (Molnar et al. 1997).

More general assistance to small businesses is provided by Small Business Development Centers (SBDCs). These centers, more than 1,000, are financially supported by the federal Small Business Administration and by state and local sources. SBDCs provide individual counseling on individual business development issues, as well as group training. About a quarter million businesses or persons annually receive individual counseling assistance from SBDCs (three-fourths existing business, one-fourth prospective businesses), and about one-third of a million persons receive group training (30% existing businesses, 70% prospective businesses). Surveys of SBDC clients suggest they find SBDC advice and training to be useful (Bartik 2004a).

Both small businesses and other businesses can be provided with useful information and assistance through business visitation programs. Under such programs, economic development staff engage individual businesses in conversations about problems impeding their current operations or possible expansions. This gives economic development staff an opportunity to inform businesses about government regulations or programs, or act as an ombudsmen seeking quicker resolution of regulatory or other issues from government agencies. The need for such outreach to existing businesses is particularly emphasized in the chapter by Finkle et al. Although there is not much formal evaluation evidence on business visitation programs, anecdotal evidence suggests such programs can be effective. There is some good logic to the position that economic development staff can often provide useful information and mediation that helps business deal with complex government regulations and programs.

More specialized business assistance can also be provided to smaller manufacturers through manufacturing extension programs (MEPs). These programs provide smaller manufacturers with information to improve their productivity through new technologies, better methods of workplace organization, and more systematic approaches to business planning and marketing. Assistance is sometimes provided through MEP staff. Programs also provide referrals to reliable business consultants, including consultation from local university and community college faculty. These programs are often in part funded by the federal Manufacturing Extension Partnership program, with additional funds from state and local government and fees.

There is some evidence that such business consulting advice can be effective in improving manufacturing productivity. Studies suggest that assisted manufacturers, compared to similar unassisted manufacturers, do significantly better in improving productivity (Jarmin 1999).

The need for assistance to existing small business manufacturers is particularly emphasized in the chapter by Luria and Rogers. As they emphasize, manufacturing extension efforts are often engaging in triage. Assistance is often implicitly targeted at smaller manufacturers that need assistance, but that also have a significant chance of surviving and providing good-paying jobs if they can increase their productivity (Luria and Rogers refer to such businesses as "good smalls"). Manufacturers that cannot survive without wholesale protectionism are not a valid target for extra consulting assistance ("bad smalls").

Two important points should be made about these efforts to help new businesses, small businesses, existing businesses, and existing manufacturers to improve their productivity. These efforts in the long run probably increase local labor demand either by increasing the number of jobs or by providing higher-quality jobs. However, in the short run, increases in productivity may fail to increase jobs, or even decrease jobs as labor demand is shifted toward higher-productivity jobs. Therefore, as explained in the Finkle et al. chapter, it is important for urban economic development efforts to go beyond the narrow goal of "more jobs," and adopt broader goals such as higher earnings per capita that is sustainable in the long run.

Second, it is quite possible that programs to increase business productivity will make sense even if targeted at non-export-base businesses. As emphasized in the chapter by Markusen and Schrock, there are many situations in which certain types of assistance to non-export-base businesses can increase the size of the local economy. Providing tax or other financial subsidies to non-export-base firms will *not* boost the local economy. Any gain in employment and sales at subsidized firms will come at the expense of reduced sales and jobs at non-assisted firms, because overall local demand for the non-export-base sector will not be enlarged by these tax incentives. For example, giving one local restaurant a subsidy to expand will probably reduce employment at other local restaurants. However, programs that increase the productivity of the non-export-base sector, by more than program costs, will tend to promote local economic development. More productive firms serving local consumers will be reflected in price reductions and/or quality improvements that will increase the local real standard of living and will help attract in-migrant workers. More productive firms servicing export-base businesses' supply needs will tend to make a local economy more attractive to export-base firms.

Targeting particular types of businesses is not the only way to increase metropolitan labor demand. Metropolitan labor demand can also be increased by targeting important assets used by business that are in scarce supply. One such asset is land. Surveys of local government indicate that over half say that limited availability of land is a key barrier to economic development (Bartik 2004a). For older industrial cities, one of the key land issues is how to reuse brownfields. The need for such brownfield reuse is highlighted in the chapters by Vey, Weber, and Finkle et al., and in the American Assembly appendix.

Brownfields are typically defined as contaminated industrial properties that are abandoned, underutilized, or idle. Brownfield sites are usually less contaminated than the "Superfund" sites for which the U.S. EPA takes the lead in cleanup. The United States has 400,000 brownfield sites with sufficient environmental contamination to potentially require cleanup under current environmental laws (Kirschenberg and Bartsch 1997). Brownfields face both cleanup and legal barriers to redevelopment. New landowners face potential future liability for additional cleanup. Brownfield redevelopment efforts, to be successful, require action both to clean up the site and provide some limits on future cleanup liability for new owners.

Brownfield cleanup may promote metro economic development even if the brownfield ends up being reused by non-export-base activities. For example, if a non-export-base business can reuse a brownfield site that would otherwise be unused, it will expand the overall supply of land in the metro area. Even if the increased non-export-base activity at the brownfield site squeezes out non-export-base activity at some other sites in the metro area, the result is that land is freed up for other uses. This increased availability of land helps attract export-base firms that will increase overall metro economic development.

Finally, one way to increase metro labor demand that should not be overlooked is increasing various types of public employment. Obviously there are local economic development gains from government employment increases that are funded by the state or federal government. However, even local tax-financed government employment increases will have some net positive demand-side effects on the local economy, as the stimulative effects of the government spending will exceed the negative effects of increased local taxes (Orszag and Stiglitz 2001). In addition, some types of government-financed employment may be export-base industries. For example, local universities or community colleges may promote increased metropolitan labor demand by attracting additional students or visitors (Bartik and Erickcek 2008).

Labor Supply

The economic development of older industrial cities—which means sustainable increases in the earnings per capita of the original local residents—can also be promoted by a variety of training and education initiatives. Such initiatives are effective in increasing local earnings if they can increase the quantity or quality of the labor supply of local residents, which will help attract additional employment and better employment.

As pointed out in chapters by McGahey, Markusen, and Schrock; Luria and Rogers; and Kazis and Seltzer, a key role in better training of local residents must be played by community colleges. These institutions are playing an increasing role in trying to meet local labor market needs for worker skills. Research on job-training programs suggests that such training is more effective if it is oriented toward the needs of local employers (Bartik 2001, chapter 4). This means that the training institutions must focus on training for jobs that are in demand, involve employers in the training design to ensure the training is relevant and up-to-date, and actively work with individual employers to place successful training graduates.

For workers with more disadvantages, more significant interventions may be required. The available evidence suggests that many disadvantaged workers may need some considerable period of work supports. This can be provided by supportive public employment (e.g., the Supported Work program of the late 1970s, or the New Hope program of the late 1990s), or by on-the-job training programs or similarly subsidized private employment that is accompanied by significant support to help disadvantaged workers juggle work and home lives, which are often troubled. There is significant evidence that such programs can be successful (Hollister, Kemper, and Maynard 1984; Duncan, Huston, and Weisner 2007).

For long-term improvements in local labor supply in older industrial cities, we need to address the education system. As argued by Heckman, and in the Kempner chapter, the most cost-effective educational investments are likely to be in early childhood programs such as prekindergarten. Quality investments in child development at this stage are likely to improve the child's chances of succeeding in regular K–12 education, and to encourage teachers, the child, and parents to make future investments of time and effort to advance the child's educational achievement. There is considerable evidence from rigorous studies for large returns to a variety of early childhood programs, including studies of the Perry Preschool program, the Chicago Child Parent Center preschool program, the Abecedarian full time child care and preschool program from birth to age 5, and the Nurse Family Partnership program, that provides nurse home visits to needy first-time mothers from the prenatal period to age 2. In work for the Pew Charitable Trusts, I have shown that such programs can increase the present value of local earnings by two to three times their costs (Bartik 2008). This is roughly comparable to the cost effectiveness of tax incentives to large corporations in increasing local economic development.

Within the K–12 system, there is less consensus on how student achievement can most effectively be increased. More time devoted to student learning, either through a longer school year—required student enrollment in summer school—or more in-school time for core subjects such as reading for students who are behind, seems to be one cost-effective way of increasing results from K–12 education (Jacob and Ludwig 2008; Fielding, Kerr, and Rosier 2007). Such investments in extra time seem to be more effective at earlier grades, which allows early success to boost students' self-confidence and ability to learn future material, as well as boost the expectations that teachers and others have for these students..

At the high school level, student achievement that is relevant to the labor market can be boosted by Career Academies, which integrate academic studies around themes related to particular business sectors, and seek to build up student and teacher links with business and awareness of business needs. There is good evidence from random assignment experiments that Career Academies can boost long-run earnings of disadvantaged students, without harming their educational attainment (Kemple 2008).

Finally, there are some promising experiments that seek to promote local economic development by linking local college students via internships with local employers. Anecdotal reports suggest that such programs may help encourage more college-educated students in a metro area to remain in the metro area after graduating, while also helping local employers find skilled new workers (Kempner chapter in this book).

It should be noted that the success of these labor supply initiatives does not depend on these increases in labor supply skills being targeted at export-base firms. An increase in the quantity and quality of overall labor supply in a metro area will ultimately help all employers. Even if a particular increase in labor supply goes directly to non-export-base employers, this frees up labor that will be more available to all employers. This greater availability of labor supply will help attract additional export-base employers to the area. Surveys of local government and local businesses suggest that availability of skilled labor is a key barrier to local economic development (Bartik 2004a).

6. APPROACHES THAT ARE POSSIBLY OVER-HYPED

The previous section considers promising approaches to increasing metropolitan economic development. There are also some approaches that are perhaps over-hyped. I regard these as over-hyped because there is insufficient evidence of their effectiveness.

Richard Florida (e.g., Florida 2002) has prominently promoted the idea of promoting metropolitan economic development and urban economic development by attracting talented people with improvements in urban amenities. This approach is mentioned in the chapters by McGahey and Kempner. One issue with this policy prescription is that we are not sure exactly what amenities will attract talented people to a city or metro area in a cost-effective way. The talented young may want to move to Chicago or Minneapolis. It is not clear that we know exactly what are the key amenities that make Chicago or Minneapolis so attractive. It is also unclear that we know how to recreate Chicago-style amenities with government programs of moderate cost.

A broader issue is that it is unclear whether attracting the talented young will benefit the original local residents of the metropolitan area. Benefits for the original local residents depend on the presence of college-educated persons in a metro area producing external benefits for other persons in the metropolitan area: a higher percentage of college-educated persons is hypothesized to increase overall metropolitan area productivity for everyone, which will boost wages of many persons in the area and increase long-run metro growth. The problem is that there are some doubts, as pointed out above, about how to interpret the correlation of the metro area college-educated percentage with higher wages and growth. This correlation may reflect an external social benefit of education, or it could reflect unobserved features of metro areas. In addition, it is unclear which types of skills have the greatest social spillovers.

Another overhyped idea is that all or even many metro areas can come close to repeating the success of Silicon Valley in high-tech development (Bartik and Erickcek 2008). Of course, many metro areas want to pursue high-tech economic development, frequently by working with local universities. Such efforts are mentioned in the chapters in the current book by Kempner and Finkle et al. However, most universities are not Stanford. The evaluation evidence indicates that most technology transfer effects from local universities are not particularly successful (Lester 2005; Feldman and Desrochers 2003). Local universities and community colleges appear to play a larger role in local economic development by providing skilled workers and useful consulting advice to businesses, rather than providing technology transfers to create businesses offering new products (Paytas, Gradeck, and Andrews 2004). Even if businesses offering new products can be created, in many cases they may move on to other locations as they go into large-scale production (Bania, Eberts, and Fogarty 1993).

7. ACCOUNTABILITY

The effectiveness of all these efforts to increase metropolitan labor demand, or the effective labor supply of city residents or disadvantaged metro residents, depends crucially on program quality. Even if we are imitating a program that has some good evidence of success in some other city, there still is the issue of whether the program can be replicated in a high-quality way and whether the program will be equally effective in a different local economic context.

Therefore, any strategy for revitalizing central cities should include provisions for regularly providing some feedback evidence on the effectiveness of these programs. In the real world, it is unlikely that more than a few programs will be assessed through random assignment methods. However, programs can be regularly assessed through surveys of assisted businesses and persons, asking them their assessment of the quality of the services (Bartik 2004b). It is frequently possible to match assisted businesses or persons with similar unassisted businesses or firms. (For an example of the use of such techniques to evaluate all of a state's workforce training programs, see Hollenbeck and Huang [2006].) If the program is targeted at a particular type of business or household, then we can compare businesses or households that just made the cutoff for being assisted with similar businesses or households that just missed the cutoff (a regression discontinuity approach).

8. THE NATIONAL STAKE

The discussion so far has taken the perspective of local or metropolitan policymakers. But is there any national benefit or cost from such metro area economic development? Does the nation benefit from redeveloping older industrial cities?

Potentially there are some gains in a more equal distribution of real economic well-being from increasing economic development in older industrial cities. If such economic development is accomplished through tax and other financial incentives, or indeed any assistance that attracts an increase in export-base activity, this will tend to reduce jobs in other metro areas. Under some circumstances, it is possible that the total number of jobs in the United States will be unchanged, or will increase far less than the increase in jobs in the older industrial area. However, a redistribution of employment to metro areas with more excess supply of disadvantaged workers may help promote a more even distribution of economic well-being (Bartik 1991).

In addition, under some models of how overall national economic activity is generated, targeting job creation at higher unemployment local economies may boost overall national economic activity. For example, such job redistribution may help lower overall national wage and price pressures (Bartik 2001, chapter 6). This lowering of price pressures allows for more expansionary fiscal and monetary policies that will boost overall national economic activity.

Finally, and perhaps most important, many of the effective metropolitan economic development programs mentioned above are really promoting higher local productivity. If metropolitan areas can invest in either workers or businesses to increase productivity, this potentially expands the overall national economic pie. Ultimately, the national economy will be more productive if all metro areas are seeking to more productively use all resources, including underused land and disadvantaged labor in central cities (Bartik 1994a).

9. CONCLUSION

There are many ideas for revitalizing older industrial cities. The book *Retooling for Growth* provides good discussions of many of these ideas. These discussions are useful. However, policymakers need to decide on which ideas to focus. What policies will really make the most difference?

To improve the per capita earnings of the residents of older industrial cities, we need to pursue two complementary goals: 1) increasing the quantity and quality of overall labor demand in the metropolitan area, and 2) increasing the quantity and quality of the labor supply of city residents. What policies will most effectively achieve these two goals?

Improving metropolitan labor demand requires reforming current business incentives for large corporations, and strengthening alternatives to current business incentives. Incentives for large corporations should focus more on up-front in-kind incentives that provide customized job training and infrastructure. This customized job training and infrastructure assistance should be linked to efforts to encourage these businesses to hire more disadvantaged workers, and to use abandoned or underused land. The most promising alternatives to incentives to large corporations provide small and medium-sized businesses with information and expertise in a variety of areas: business planning, technology, and help in dealing with government regulations and programs. There is no reason to think that information is optimally provided in a pure private market. Government has some resources, in universities, community colleges, and regulatory agencies, that have some comparative advantages in being a reliable source for some types of information. Information is also cheaper to provide than financial incentives.

Improving city residents' labor supply requires targeting our educational interventions at times where they can make the most difference, and making these interventions relevant to the labor market. Early and high-quality intervention is effective. This includes high-quality preschool programs. Early intervention also includes more time on core learning tasks during the early elementary years. Later labor supply interventions, in the high school years and the adult years, require workforce development programs to incorporate the needs of higher-wage employers in their design, and to connect program graduates with job vacancies in higher-wage employers. This philosophy is reflected in high school Career Academies, high-quality community college programs, customized job training programs, and Supported Work and other employment experience interventions for the disadvantaged.

Urban revitalization programs should be designed to learn from experience. We know something about which programs work, but we don't know everything. Furthermore, every city and every program is different, so what worked in the past according to some study may not work as well in a new city with different program staff. Policymakers can work with researchers to develop useful methods for program accountability and learning. These methods include surveys of assisted businesses and households, and comparisons of assisted businesses and households with similar unassisted businesses and households.

High-quality programs to increase metropolitan labor demand and improve city residents' labor supply are expensive. State government and federal government commitments to support such interventions requires some reasonable belief that the overall state or national economy benefits. The best case for national or state benefits is that high-quality efforts to revitalize older industrial cities will increase overall productivity. Effective urban revitalization programs frequently directly target improvements in the productivity of businesses and workers. Successful urban revitalization programs will increase the quantity and quality of employment of workers who otherwise would be unemployed or underemployed. Successful urban revitalization programs will also increase the usage of brownfields that otherwise would be abandoned or underused.

High-quality urban revitalization policies can do more than spread the wealth to older cities and their residents. If done right, urban revitalization benefits the nation.

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