



Ideopolis City Leaders Network Snapshot Analysis – November 08

Obama's Urban Policy: What can we expect? And what can we learn?

To get elected, American Presidents have a tendency to highlight their folksy, small-town roots. Of the last four, Reagan came from a town of 800 people, Bush Senior from a town of 26,000 and Clinton from one of 40,000. And while Bush Junior had an urban background, he concealed it with a cowboy hat and a ranch. So Barack Obama is the exception, as an urban President-elect. Obama is most closely associated with Chicago, the third largest city in the US. His biography also includes spells in New York and Los Angeles – the first and second largest. And the cities constituted his electoral base: whereas only 45% of votes in small town or rural areas were for Obama, he received half of all votes in the suburbs, 59% of votes in small cities and a resounding 71% of those in big cities.

Even so, urban issues had a relatively low profile during the election campaign. The cultural bias towards small towns that pervades much of American politics undoubtedly played a role in this, but so too did the rural nature of many of the early voting Primary states, the tendency of major cities to vote Democrat and the lack of major cities in the swing states. As a result, urban areas again tended to be portrayed in a negative light, as problems for the nation rather than drivers of growth.

This gave the Republicans a means of attacking Obama who was, they argued, too "cosmopolitan". So Obama had to avoid discussing urban issues, and adjusted his rhetoric to become more inclusive – talking about 'metropolitan areas' rather than cities¹. The Republicans went the other way, with Sarah Palin's small town virtues of patriotism and social conservatism being an important selling point. John McCain, at least, did mention one city in his convention speech, but the city was Hanoi.

80% of the US population live in 'metropolitan regions' – in or near cities - so urban policy is clearly of national importance². Moreover, Obama was unusual in that buried beneath the rhetoric, his campaign ran with some specific urban policies³. These urban policies are important for the UK to consider, as US policy ideas often influence what goes on here.

This paper investigates Obama's urban policy. We don't yet know exactly what will happen. But several of the policy documents published by the Obama-Biden campaign offer some clues. This

¹ Alec MacGillis (2008) "The High Rise of the First Metropolitan Candidate", *Washington Post* 26.10.2008.

² Statistics such as these are, however, dependent on definitions and so easy to mis-use.

³ Urban policy is not, of course, a discrete and unified policy area. The Obama-Biden campaign document lists nine areas which constitute urban policy: Economic prosperity, Housing, Poverty, Liveability in cities, Healthcare, Education, Crime and law enforcement, Homeland security and Families.

paper is based on an analysis of the Urban Policy, Economic Policy and Poverty Policy papers published by the campaign, and a speech given to the US Conference of Mayors (links to these documents are provided at the end of this paper). It focuses on four areas of particular interest:

- The reintroduction of cities as a central government agenda;
- Economic development and innovation;
- Employment, poverty and inequality;
- Infrastructure and the built environment.

Urban policy as a central government agenda

Perhaps the most important aspect of Obama's policy for UK policymakers is simply the emphasis placed on urban issues. This emphasis is backed up with some familiar arguments and statistics. According to campaign documents, cities and metropolitan regions are: "key drivers of prosperity in the global economy", housing "over 80% of the people, businesses, universities and cultural institutions in America", and producing "well over 85% of the nation's wealth." Obama has increasingly portrayed cities in a positive light, arguing that: "we need to stop seeing cities as the problem and start seeing them as the solution."⁴

Beyond this rhetoric, there are two main proposals for ensuring urban issues are addressed. First, he will restore funding to the Department of **Housing and Urban Development** (HUD) and increase federal support for social housing, which currently stands at almost nothing. HUD's mission is to "increase homeownership, support community development and increase access to affordable housing free from discrimination". As such, it is primarily concerned with housing (part of its mandate is to regulate Fannie Mae and Freddie Mac), with some emphasis on improving affordable housing (although the market may be achieving this more rapidly than any policy could).

But whereas HUD has existed since 1965, the second, potentially more important, campaign promise was the creation of a **White House Office on Urban Policy**⁵, intended to co-ordinate policy and create a coherent strategy for "Metropolitan America". The exact form that this office will take is not clear, but in a speech to the US Conference of Mayors Obama set out the logic for the new institution. Obama argued that economic policy should aim to help local economies (in the political phrase of the time, to benefit "Main Street" not "Wall Street"). The Office should prevent unfunded mandates, whereby central government makes local government perform particular policies without providing additional resources. It should also tackle issues where the failure of central government causes problems at a local scale (the example he gave was immigration reform). But whereas HUD has existing responsibilities, it isn't entirely clear what the exact responsibilities or powers the Office on Urban Policy would be given, beyond a general task of creating 'cohesive strategies' for cities.

In addition, there are (rhetorical) suggestions that Obama will make '**place**' a more important part of policymaking, a move which mirrors similar recognition in the UK. Valerie Jarret, a close aide and the co-chair of the Obama transition team, argues that part of this emphasis is inspired by Obama's history as a community organiser in Chicago, which means that: "he understands the local level is really where you can impact change and that local government can play a vital role as we try to jump-start our economy"⁶. In his own words, "change comes not from the top-down, but from the bottom-up"⁷ As yet, the mechanisms through which this might happen remain vague.

⁴ Speech to the US Conference of Mayors, 21.6.2008

⁵ Most commentators expect Bruce Katz, Head of the Metropolitan Policy Programme at the Brookings Institution, to be offered this position. Several Bloomberg advisors have also been linked with positions in the new administration.

⁶ Al Kamen (2008) "White House to establish Office of Urban Policy", *Washington Post*, 10.11.2008.

⁷ Speech to the US Conference of Mayors, 21.6.2008

Economic Development: Innovation and the knowledge economy

There is also evidence of a new emphasis in Obama's economic policy towards cities with discussion around the role of cities as drivers of economic growth. In his urban policy paper, Obama cites their economic role in the context of the knowledge economy:

“Cities enable the concentrated exchange of ideas and resources that generates the nation's innovation and entrepreneurship. Particularly in the knowledge economy, we cannot afford to waste any of the human capital, real estate and business assets of cities.”

Much of the economic development role is performed at a local level in the US, but Obama-Biden suggest a number of more specific interventions building on this. They plan to develop “**regional innovation clusters**” through a federal programme to create “regional centres of innovation and next-generation industries”. This will include \$200 million in “planning and matching” grants for local stakeholders (including university leaders). Some of this money can be used to “assist states with a variety of activities needed to build successful innovation clusters, including building research parks, workforce attraction efforts, supporting regional transportation projects tied to developing clusters and bolstering local job training”. This will, apparently, all be based on local assets and comes alongside national government innovation programmes (including, perhaps ominously for European R&D targets, a commitment to double federal funding for basic R&D). One example they cite is the North Carolina Research Triangle Park, a business park in Raleigh, NC, which cites its location close to universities, accessibility to a large number of skilled workers, international transport links and quality of life as selling points⁸.

There is more than a hint of the Michael Porter influenced cluster policies which have been so popular in the UK. He argues that the US's manufacturing has a future in “thriving innovation clusters”, and offers \$200 million for regional business, government and university leaders to stimulate this.

In addition, they propose a **strategy/targeting exercise** to “identify and address the unique economic development barriers of every major metropolitan area in the country”. Resources will be allocated for this in a manner comparable to the operation of the World Bank. The limited evidence available on this proposal makes it seem very similar to the Economic Development Assessment recently discussed in the UK's Sub-National Review.

Finally, and perhaps more predictably, these election documents are scattered with attempts to chase one currently fashionable sector – **environmental technology**. Two policy headings address this, one promising to “Convert our Manufacturing Centres into Clean Technology Leaders” and a second to “Invest in a Skilled Clean Technologies Workforce”. These ideas are worthy, but there are potential problems with the government attempting to ‘pick winners’ – will they create as many jobs as they promise? If each city attempts to develop this industry, will their efforts cancel each other out?

Employment, Poverty and Inequality

Obama has been keen to emphasise that cities are not just sites of problems, but also locations of economic and social opportunity. But US cities still have considerable problems with poverty, and poverty is given an important place both in Obama's urban policy and in a separate ‘poverty’ policy document⁹. The focus throughout is not on the unemployed, however, but on improving the situation of the working poor.

⁸ For more information see: http://www.rtp.org/files/Fact%20Sheets/whyrtpt_083007.pdf

⁹ Most of the policy initiatives to tackle poverty are similar to UK policies. In their poverty strategy, Obama-Biden propose increasing the “Earned income tax credit”, rather than increasing benefits. Increasing the minimum wage is also highlighted as an issue. There is a strong emphasis on ‘pathways’ from low-wage work to higher waged employment, with the aim of moving people from the rump of poorly paid jobs which exists in the US and to expand the middle class.

The first, and possibly most important moves are not 'urban policy' at all, but the partial reversal of the Bush **tax cuts** – taxes will be raised for the top 5%, while the bottom 95% will see taxes lowered. These are likely to have a real impact on urban (and non-urban) inequality, and potentially in-work poverty. Alongside this, there are suggestions that they will raise the **minimum** wage (currently at \$7.25ph to \$9.50ph by 2011) and index it to inflation. This will ensure that full-time workers, at least, are rarely in poverty. Since 2000, the US has seen stagnant wage growth but significant increases in productivity¹⁰. Obama's move will go some way to addressing that.

Other policy initiatives are more urban focused. A second initiative is an attempt at neighbourhood policy. The new administration will establish 20 **promise neighbourhoods**. These will provide 'comprehensive' policy at a local scale, and will provide services aimed at improving education and health outcomes, from pre-natal services onwards. These neighbourhoods will be based on the Harlem Children's zone where a series of interventions based on improving parenting skills, education and health are targeted at a relatively small area of concentrated poverty, with the aim of reaching a 'tipping point' in a neighbourhood. New parents are encouraged to join classes at the centre, which then provides a range of services for the children and their families as they grow up eventually into work. The project cost is about \$3,500 dollars per child per year¹¹.

Third, and less familiar to us, is the **Community Development Block Grant**¹². This is federal funding, provided through HUD to specific areas to address serious challenges. The grant is determined according to a calculation of need which includes judgements on poverty, population, housing quality and overcrowding and population growth. It aims to benefit low/moderate income people, prevent slums or blight and address urgent community development needs. Obama will increase funding for this grant.

Infrastructure and the physical environment

Infrastructure investments are increasingly being seen as the saviour of the construction industries. As the housing market collapses, these projects are seen as a way of stimulating aggregate demand in the economy while investing in economically productive capital for the future. In addition, there has been a powerful political mandate to develop US infrastructure – traditionally described as 'crumbling', after the collapse of a Minneapolis bridge in August 2007.

Obama's main policy tool to address this mandate has been the development of a **National Infrastructure Investment Bank**, offering \$60bn of investment over 10 years. This was justified in terms of its ability to create jobs ("up to" 2 million), but may also tackle pork-barrel spending.

He also suggests a wider programme of **transport improvements**. Mass transit will be improved (sold to the suburbs as a way of getting them into work quicker, rather than removing them from their cars). Intercity rail was also prioritised, with Joe Biden famous for having commuted to Washington via Amtrak (behaviour which was seen, at the time, as eccentric).

Caveats and Conclusions

Much of the Obama urban agenda is similar to that in the UK – the free-flow of consultants and policy ideas seems to ensure that. But there are a number of ways in which UK policymakers may learn from the Democrats.

A first lesson for British policymakers is the way that Obama has sold urban issues to suburban voters. Obama's 'urban policy' has relied on a subtle political move. Urban policy has traditionally been seen as disproportionately about the poor, and particularly about African-Americans. In his

¹⁰ Between 2000 and 2007 the median wage increased by 3% compared to an increase in productivity of almost 20%. See: Jared Bernstein and Lawrence Mishel (2007) "Economy's Gains Fail to Reach Most Workers' Paychecks" EPI Briefing Paper No. 195.

¹¹ For more on Harlem's Children's Zone, see: <http://www.hcz.org>

¹² For more on the CDBG, see: <http://www.hud.gov/offices/cpd/communitydevelopment/>

speeches, Obama attempted to knit the suburbs and the inner cities together, describing them as 'metropolitan areas', rather than cities. By doing this, he hopes to address the neglect of central cities over their surroundings, and persuade suburbanites that the improvements of the central cities are in their interest. The risk is that little of the money goes to the central city. Moreover, it's not clear whether a similar move would work (or be necessary) in the UK. Without established 'metropolitan regions' could UK policymakers persuade people in the suburbs or satellites of our major cities that it is worth investing in the inner city?

Second, the emphasis on putting urban policy at the heart of government is important. But it remains to be seen how successful the Office of Urban Policy will be. Much will depend on the powers it is given and the lines of responsibility it will have. Other agendas will inevitably compete for attention. Yet this move does signal to policymakers in other policy areas that cities are important.

Third, it's not just 'urban' policy which influences our cities. For those who work in urban policy, it is very easy to overstate the role of local government, but much – even in a highly decentralised country like the US – depends on national policymakers. Tax and minimum wage policy is a clear example here.

There remains, however, a big caveat with this sort of policy: while the creation of the promised Office of Urban Policy has already been announced, it remains to be seen which of the other policies is actually enacted. Politicians make promises to get elected and Obama, of course, is no exception. He has several other agendas which will take his time (not least two wars and a recession), a difficult fiscal position and little leeway for new projects. This is partially alleviated by near-control of the senate, but given the astonishing level of optimism surrounding the recent election it is almost inevitable that Obama will be a disappointment.

Moreover, Obama has less power than we like to imagine; much of the power of the president lies only with national issues. US cities have important powers over their own economic development, and have control over local policy in ways UK cities do not. Perhaps the final arbiter of success will be the state of the wider economy. Many of the urban problems which have been discussed above are not failures of government policy, but failures of weak markets. The economy is the most important driver of the regeneration of US cities. So if the economy continues to dive, despite the best efforts of government, many urban problems may get worse before they get better.

To read more:

Obama-Biden Urban Policy:

http://origin.barackobama.com/issues/urban_policy/

Obama-Biden Economic Policy:

<http://www.barackobama.com/issues/economy/>

Obama-Biden Poverty Policy:

<http://www.barackobama.com/issues/poverty/>

Obama's speech to the US Conference of Mayors is here:

<http://my.barackobama.com/page/community/post/stateupdates/gG5R7x>

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