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U.S. Metro Economies: The Engines of America's Growth

J. Thomas Cochran
Executive Director, The United States Conference of Mayors

Tom Cochran: Good Morning. We will today be releasing our report, "U.S. Metropolitan Economies: The Engines of America's Growth". I would like to point out that it is metro engines at the local level that are driving this national economy. I am very pleased to have our President, Mayor Wellington Webb of Denver. Mayor Webb.

Denver Mayor Wellington Webb

President, The United States Conference of Mayors

Mayor Webb: Tom, thank you very much. Let me begin by saying, good morning, and thank all of you for being here. Also joining me this morning are leaders from the National Association of Counties. I would like to introduce C. Vernon Gray, Council Chair for Howard County, Maryland, and President of the National Association of Counties, to my immediate right.

And Wayne Curry, County Executive, Prince George's County, Maryland, Chair of the National Association and Counties, Large Urban County Caucus. And we also have with us, who has already been introduced, Tom Cochran, Executive

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Director of the U.S. Conference of Mayors, and Larry Naake,
Executive Director of the National Association of Counties.

We are pleased that you are here today. The leaders of The United States Conference of Mayors and the National Association of Counties have come together this morning to release the results of a landmark report entitled, "U.S. Metropolitan Economies: The Engines of America's Growth."

This report was prepared by Standard and Poors' DRI represented here today by Sarah Johnson, North American Research Director and Chief Regional Economist. Let me say that you will find, over this next coming year, you are going to see more and more collaboration by local government organizations.

And we are very proud of the fact that today that you have both The U.S. Conference of Mayors and the National Association of Counties. The collaboration between the nation's cities and counties is historic on several points.

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Not only does our U.S. Metropolitan Economies report show that cities and counties together are the homes of our nation's economic growth and prosperity, it also shows that city and county officials play a strong role on the national, international, political, and economic scene.

The United States is the strongest nation on earth, and it is experiencing its longest peacetime expansion. One important key to understanding this complex phenomenon is to recognize, as our report illustrates, that our economy is being driven by 317 powerful metropolitan economic engines.

To demonstrate this critical point, The U.S. Conference of Mayors and the National Association of Counties have undertaken research over the last few years, in collaboration and cooperation with Standard and Poor's, which, for the first time in U.S. history, made data available on gross metropolitan product (GMP).

Gross metropolitan product is a concept analogous to gross domestic product, the commonly acceptable measure that

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nations use to calculate the total amount and value of goods and services that they have produced.

This report describes: (1) the scope of metro economies; (2) their contribution to the nation's economy; (3) income creation by metropolitan economies; (4) generation of new industries by metropolitan economies; and (5) the relationship between Metropolitan economies and the nation's overall growth.

Data on GMP is published for our nation's 317 metro economies. In this story, this report tells, is one of a powerful robust national economy, which is driven by metropolitan economy engines. And, let me just share some of our report's key findings.

In 1998, metro areas generated 84 percent of the nation's employment, 84 percent of the production of goods and services, and 88 percent of the income. U.S. metro economies accounted for an 89 percent, or over two trillion dollars, of the nation's economic growth, for the same period 1992-1998.

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Metro area employment increased 2.8 percent in 1988, the largest percentage gain in 11 years. If city and county metro economies were ranked with nations, 47 of the world's largest 100 economies would be U.S. metro areas, a point which our charts, which you have copies of in your press kits, drastically illustrates. Again, 47 of the world's 100 largest economies would be metropolitan areas.

In 26 states metro economies contributed over 75 percent of state product, and 41 states metro economies contributed more than 50 percent, or a majority of state product.

Because of this recent acceleration in economic growth in 1998, metro area economies compared even more favorably with state and international economies than in 1997.

DRI has compared metro areas with state and national economic output levels for The U.S. Conference of Mayors and the National Association of Counties. I am proud to say that my own hometown region of Denver, for example, has increased it's ranking in the world from 69 to 63,

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producing more than the economies of Malaysia and the Philippines.

As our charts further illustrate, many metro economies exceed entire state economies. For example, the Buffalo metro economy exceeds Hawaii, and the New Haven metro economy exceeds that of Nevada. In fact, the gross product of the ten largest U.S. metro economies exceeds the combined output of 31 states.

If our metro economies were removed from most states, their rankings as world economies would drop dramatically. For example, 88.5 percent of the Texas economy is contained in its metro economies. Removing this would cause the Texas economy's ranking of 11th in the world to fall to 97, behind Denver and San Jose, respectively.

The same holds true with California. California's economy is contained in its metro economies. If you removed these, California, currently the world's 7th largest economy, would rank 155th in the world, just below Morocco. Within

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particular states, for example, metropolitan areas often dominate the state's economy.

For example, if you look at the State of Georgia, as an example, the Atlanta area provides 54 percent of Georgia's employment, 55 percent of the gross state product. And, in Minneapolis, the Minneapolis/St. Paul area produces 66 percent of the state's output, and it employs 65 percent of the workforce.

By establishing metro regions as economic engines that drive our nation and our state economies, city and county leaders are taking their rightful roles as national and international leaders, in beginning and continuing to have more dialogue on new partnerships between cities and our state and federal governments.

We no longer view ourselves economically as a nation of states, in many cases, with antiquated, economically irrelevant boundaries, but rather as a nation of metro economic centers that outpace many national economies of the world.

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This report's principle message for federal and state government is this: if America wants to sustain its current economic performance, its economic policies must recognize cities and counties as viable economic players. On the world stage, it must also formulate policies in ways that are nurturing and supportive of the health of our nation's metro economies.

And, certainly the federal government, for example, has made some progress in this area with the passage of ISTEA, which was a significant victory for metropolitan areas, and we were pleased with this year's HUD budget. But more needs to be done. Metro areas and, by extension, the nation would greatly benefit from financial and other investments in retraining our labor force for the global economy.

Our goal is to hammer home that there is a different view of the world. We want to hammer home this point in a time of such abundance and progress, but no neighborhood in any metroplex in America should be left behind. But the

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engines that are driving our economies are metropolitan in nature, with cities and counties. And this is why we have joined together today.

This is nothing more than a common sense investment strategy. If you create a labor force that can meet the needs of a global economy, we remain competitive. If we invest in working families, we invest in economic growth. Today's cities and counties have come together in a coalition to announce new trends in America's metro city/county areas.

The nation's metro areas are the newest entries in the world economic arena. In the coming months, we will assume a role of political and economic leadership, commensurate with our economic contributions to that arena. And we will talk more about that during the press conference.

Now I would like to call on others who have joined with me today. C. Vernon Gray, Council Chair for Howard County, MD and President of the National Association of Counties.

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C. Vernon Gray

Howard County Council Chair

President, National Association of Counties

C. Vernon Gray: Good morning to everybody and thank you for being here. I am C. Vernon Gray, Council Chair at Howard County, Maryland, and also President of the National Association of Counties. I would rather tell you about county government. I usually speak about problems whose geographic boundaries coincide with political boundaries.

Today, however, we have a different focus. Today we bring you the 1999 report on the metro economies and collaboration with The United States Conference of Mayors. The metro regions of this country are defined not by geographic or political boundaries, but by economics. Collectively, they drive the economy of this nation.

Too often, we think of major cities, or metro areas, in terms of their problems, because of the infrastructure, poor residents, and high service costs. This report by Standard and Poor's DRI, which we are releasing today, paints a very different picture. It compels us to take a

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closer look, not at the cost of our cities and their metropolitan regions, but at their value.

It clearly shows that the metropolitan area is an area where the action is. And that, in fact, metropolitan areas are still areas where you can grow a business and start a business, where you can raise a family with the expectation that you will have a decent wage, a quality education, and a quality of life as well. This study points this out.

I want to take some time to clarify some of the major improvements in the performance of metro economies since the last study. The charts in your press kits also provide this data. First, we see that the contribution of metro areas to the national economy is increasing.

As pointed out, U.S. metro economies account for 84 percent of the gross domestic product in 1998, up one percentage point from 1997. Furthermore, in 1998, the metro area economies compared even more favorably with state and international economies than in 1997.

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For example, the ranking of New York City gross output among international economies has jumped from 16th to 14th place, as its economy overtook those of Australia and Korea. In addition, the economy of Washington, D.C. metro area moved ahead of Hong Kong. While the economy of the Dallas metro area surpassed that of Thailand.

Of the top 50 metro areas in 1997, 40 improved their world rankings in 1998 and five stayed the same. In 1997, the 10 largest city and county metro areas exceeded the combined output of the 31 smallest states. In 1998, the output of these metro areas, or metro economies, was greater than that of the 31 smallest states.

In addition, there are a number of metro areas that are multi-state. In other words, they contribute to the economies of the surrounding states. Of the nation's 317 metro areas, 31 are contained in two states, while another four are contained in three states.

Let me give you a couple of examples. Look at Cincinnati, for example, which is contained in three states: Ohio,

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Kentucky, and Indiana. In Ohio, Cincinnati is responsible for a full 12.8 percent of the gross state product. In dollars, this translates to 42.9 billion dollars.

Another example is Philadelphia. In the Philadelphia metro region is contained in Pennsylvania and New Jersey. In Pennsylvania, Philadelphia's share of gross state product is 33.6 percent or 121 billion dollars. And in New Jersey, its share of gross state product is an impressive 12.3 percent, or 37.6 billion dollars.

I believe that this data builds a strong case for investment in metro economies. It makes it clear that when we referred to the growing economic irrelevance of state boundaries, we have the numbers to back this claim. I think in terms of the next Administration, it is critical that federal and state policies be designed in a way that allows these metro economies to continue to grow and to continue them rather than that limit their potential.

It is also clear that, not only in metro economies is where the action is, it is where the electoral action is as well.

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And governors, and those who run for President of the United States, should recognize the potential, not only economically, of these areas, but this is where the votes are as well. So we want them to pay particular attention to that as they campaign for President of the United States next year.

And, finally, it is just not critical to states and counties themselves, that is these metro areas, but to the overall national economy, as has been pointed out. Thank you very much. I would like to call on my colleague, Wayne Curry.

Wayne Curry

Prince George's County, MD Executive

Chair, Large Urban County Caucus

Wayne Curry: Thank you, and good morning. I hope that everybody is still awake. I know presenting statistics sometimes paralyzes people. But I do think that we have an important message to convey today. And that is we represent to this entire global economy an extraordinary force.

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I think that all of us know, intuitively, that metro areas have been the economic engines which have spurred America's sustained growth and which have accounted for the expansion of economies all over the world. But what becomes additionally clear when you look at the report is that metro economies are also sustaining suburban and ex-urban places as well.

You are operating in areas, which comprise about 16 percent of the landmass of America and over 80 plus percent of the growth in jobs and new technology. Most of the exports that leave this country leave the airports, seaports, trucking, rail terminals, and the like, that are located in metro areas.

Five hundred and seventy four billion dollars of merchandise exports were shipped from metro areas in 1997, accounting for over 83 percent of the total of U.S. goods exports. Through trade, our metropolitan areas are the gateways to the rest of the world and thoroughfares for those areas of our country which are not urban.

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Along the Mississippi River, for example, agriculture products and commodities account for over 60 percent of the exports from New Orleans and Kansas City and nearly 50 percent of exports from Memphis, Tennessee. On the West Coast, 35 percent of exports from Portland, Oregon, are unprocessed commodities from non-metropolitan areas.

So this symbiosis, this interdependency of non-metro areas and metro areas, is pretty clearly indicated. There is another graphic illustration of the ways in which the metro areas support people beyond their own borders. Over 105 million workers were employed in metro areas in 1998, that's 84 percent of national employment.

The total value of goods and services produced in metro areas was 7.2 trillion dollars, more than 84 percent of U.S. gross domestic product. Perhaps more tellingly, and something that we are a little bit more familiar with, the cluster of the nation's highest value added sectors is dramatically represented in metropolitan areas.

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The financial service's sector had the highest level of output per employee in 1998, at 229,000 dollars, while transportation, communications, and utilities came in at 104,000 dollars per employee. In 1998, 90 percent of the financial services employment, and 86 percent of employment in transportation, communication, and utilities, was within metropolitan areas.

The two fastest growing sectors: computers/high-tech and business services are almost entirely concentrated within metropolitan areas. They contain some of the nation's newest and most innovative industries, including computer hardware, computer software, telecommunications, equipment and services, optical components, Internet publishing, and management of consultants.

From 1992 to 1998, employment in high-tech industries increased 3.6 percent per year, while employment in business services increased by 7 percent per year. Over the same period, the majority of new jobs in the high-tech and business services segments have been created in metro areas. In fact, it is almost entirely the case.

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Business services employment increased by over 3.8 million from 1992 to 1998, compared with an increase of only 214,000 in non-metro areas. Over the same period, high-tech companies created 1.3 million jobs in metro areas, but only 68,000 jobs were created outside of metropolitan areas.

Overall, from 1992 to 1998, most of the economic gains made in the United States were generated from within metro areas. Over that period, 14.3 million new jobs were created, which was over 80 percent of the increase of 17 million in our whole country.

In addition, these areas contributed over 2 trillion dollars of the growth in domestic product from 1992 to 1998, and that represented 89 percent of the gain for the entire American economy.

These metro economics are accustomed to giving more in certain ways than we have gotten. That has been sort of a tradition. But we are here to say that our traditional

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role has to be changed and that we are representing a vital and robust part of the American economy.

And that if we are to continue to do so, then there will have to be some significant investments made in the infrastructure that supports the growth of the American economy, and, in fact, the growth of the world-wide economy if our service in that vain is to continue.

I recall about 30 years ago, I heard that President Reagan coined the term "New Federalism". I think that what we are trying to demonstrate here is "Real Federalism", and the necessity for us to alter our current system so to speak, so that our political and economic structures fit what is really going on.

And where our traditions in political and economic terms, it seems to me need to be adjusted. So if we can transform the 20 years ago New Federalism to the new millenium's Real Federalism. Take into account the productivity that is going on in these metro economies, and bring that to the attention of the leaders who are defining our policies, I

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think we will have done a great job for all of us who want to live in healthy communities.

Sarah Johnson: I would just like to sum up what this all means.

Currently, metro areas are at the heart of our economy.

And it says here that the concentration of people and businesses creates a unique condition that spreads knowledge, sparks innovation, generates new industries, and increases productivity.

So as a focal point of economic activity, metro areas are essential to our prosperity. And let me just go back and let me define, What are metro areas? These are defined by the federal government. They are clusters of adjacent counties and cities, typically with a large population nucleus, and linked together by economic activity.

Thirty years ago Jane Jacobs, an historian, observed in her book, "The Economy of Cities", that most new ideas are created in cities. It is within cities, that we have the clusters of people and business that create a unique environment where ideas spread rapidly.

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So it is not surprising in our report that we found that 95 percent of high-technology jobs created over the past six years are in metropolitan areas. In fact, the "Information Age," rather than making urban areas obsolete have made them even more vital to our global economy.

Why is this? It's because metropolitan areas provide the economic foundations that are necessary for businesses to thrive: the skilled work force, the universities and research facilities, the business services, and the transportation network that links companies to a worldwide market. So, in summary, metropolitan areas today are major players in the global economy.