

Regionalist Paper No. 7

The Importance of Regionalism in the Global Economy: Why Must We Adjust?

“The regions are the competing entities, both nationally and internationally”,¹

- Lester Thurow, Dean Emeritus, Sloan School of Management,
Massachusetts Institute of Technology.

“Regions drive local, state, national and global economies. The largest ten regions in the country out produce 31 states. Regions worldwide capture almost half - 47 of the first 100 slots in the combined list of top regional and national economies”.²

- Myron Orfield, Chairman, Metropolitan Area Research Corporation

Whether one refers to local, state or national economic surveys and plans, or to professional economic and public administration literature, it is overwhelmingly clear that regions are deemed to be the primary locomotive of economic activity. The reality of a coherent and interactive metropolitan whole of human activity, spirit and energy drives progress more than some other whole depicted by municipal boundaries, maps or even prior history. For human and economic vitality, it is said that regions and neighborhoods are as, and oftentimes more, important than that described by national or municipal boundaries.

Recognizing the need to compete successfully at the regional level, the Virginia General Assembly launched the Regional Cooperation Act in 1968. Then, moved to do still more, the General Assembly approved the Regional Competitiveness Act in 1996.

The earlier of these two actions, the 1968 Regional Cooperation Act, was a direct result of The Report of the Virginia Metropolitan Areas Study Commission of 1967.³ This magnum-opus study gave birth to the system of 21 Regional Planning District Commissions (PDC) in Virginia and to the Council of Local Government on the Governor’s staff in the Department of Housing and Community Development. Both structures still exist and are now recognized as productive and very important. The

¹ Posted on the website of our own Hampton Roads Partnership, November 2005

² Myron Orfield, *American Metropolitics: The New Suburban Reality*, (The Brookings Institution Press, Washington, D.C., 2002).

³ Senate Document 14, referred to as the “Hahn Commission Report” of 1967 (Marshall Hahn, Jr.)

Hampton Roads Planning District Commission (PDC) was established in 1968. This same Metropolitan Areas Report also advanced the concept of, and accelerated the development of, functional regional authorities throughout the State, and regionalism in general.

The second of these two state level actions, the 1996 Regional Competitiveness Act, was more focused on the goal of strengthening the productivity and competitiveness of Virginia's regional economies. This legislation gave birth to and encouraged the local (as opposed to State) creation of broad membership, public-private organizations to support and to engender business and local governmental collaboration. Thus, locally, the Hampton Roads Partnership (HRP) was created in 1996.

In a span of forty years, these were the two principle legislative actions taken to strengthen regional economies and to achieve regional structural coherence in Virginia. Both of the resulting organizations, PDC and HRP, are superb, productive and vital elements in the effort to compete on the global stage. Objectively, however, these achievements are but mere singles in the game of global competitiveness. We are far short of, and we need to have, homeruns. Addressing the structural needs of regionalism so seldom at the State level is probably a mistake. Generally speaking, the PDC continues to thrive as a competent center of regional planning today. The HRP, however, no longer funded as in its beginning or as was originally planned, has not been able to continue with its prior robust agenda, a fate showing, unfortunately, that State level support for regional leadership in support of the regional economy has been inconsistent, probably another serious shortcoming. When advising state leaders at a National Governor's conference of the results of his study of "State Leadership in the Global Economy", Dr. Marc A. Weiss warned that "A key issue to emerge from this initiative is that economic activity occurs in a regional context, and policy makers ignore this at their own peril".⁴

Meanwhile, the world turns. In his heralded book, *Citistates: How Urban America Can Prosper in a Competitive World*, Neal Peirce provides reasons why, after four centuries, the old world order of city-states has returned, world-wide, in the form of metropolitan areas or regions to become the new description of where things happen. To assist his analysis and to arouse readers, he created the term 'citistates' to help convey the story, and he argues that "Across America and across the globe, citistates are emerging as

⁴ Dr. Marc A. Weiss, Dr. Marc A., "State Policy Approaches to Promote Metropolitan Economic Strategy", published by the National Governors Association Center For Best Practices

a critical focus of economic activity, of governance, of social organization for the 1990s and the century to come”.⁵

Irreversibly, higher technologies, broadband-driven high volume communications and the increased mobility of capital and labor define in part the new global economy and the background in which global competition now takes place. Regional teamwork, rather than regional fragmentation, is essential. The demands of the global economy cannot afford to be side-tracked by non-productive, inter-jurisdictional, petty squabbling. Modern economies are knowledge-based economies and require a mobile and well trained workforce.⁶ These and other essential ingredients have displaced other formerly essential strengths such as location and physical assets. It is no longer enough, for example, for Hampton Roads to rest easy because the port complexes are located here. Having the factories, being a manufacturing hub, being a key area for military bases, or being a large and historic ports complex, once the basis of some everlasting regional strength, are no longer the sufficient merits that will ensure a region’s ability to be successful in the arena of global competition.

New kinds of regional hubs are now among the global players, such as Silicon Valley, Bangalore in India, and Route 28 around Boston. Buoyed by strong public-private leadership, San Antonio has carved out a niche and rightfully labels itself as a Tele-City. Amsterdam has achieved a reputation for being the European hub for air and telecommunications and has attracted headquarter staffs and investment capital, reversing what was a prior uncertain future. The Greater Baltimore Committee (GBC) also arrested fears of stagnation and provided leadership that has resulted in the GBC being a national leader and attracting a concentration of business and education in life sciences – medical, biotechnical and environment – areas. The GBC built their story on and used the University of Maryland and Johns Hopkins as their core physical assets, enriched by museums, a redeveloped harbor and their proximity to the Chesapeake Bay. Toronto regionalized their government structures in the late 1950s following a long period of stagnation and today is a world class, truly remarkable cosmopolitan metropolitan area with great pride and with a continuing large scale public and private investment in infrastructure, clearly attractive in the global economy. A regional outlook and the elements of regionalism do work, and they are here to stay as essential requirements to remain abreast of the challenges of growth that exist everywhere.

While no longer the basis of certain success, the physical assets cited above can be the basis of successful regional competitiveness. Observers in Hampton Roads can

⁵ Neal R. Peirce, *Citistates – How Urban America Can Prosper in a Competitive World*, (1993), p. 1.

⁶ A flexible, knowledge-based workforce were the reasons cited by the Stihl and Wolseley Corporations for their decisions respectively to expand operations and to relocate its North American headquarters to Hampton Roads, *The Virginian Pilot*, December 22, 2005, p. D-1

rightfully boast that the region's shipping terminals, spread over four cities on both sides of the James River, with their supporting business, legal and warehousing infrastructure, and supported with remarkable tourism assets, form the core of what should be a successful regional hub in the national and global economies. Is this enough for the long term?

What is it that makes, or could make a competitive, modern day regional marketplace? What is it that attracts or repels investment capital that in turn underwrites business expansion and modernization and that underwrites the community's region-wide educational, social and arts-related activities? Suggestions follow:

- **Attractors:**
 - Viable and expandable core assets: Hampton Roads, in addition to its physical world trade-related shipping terminals, shipping companies, and shipyards has an impressive multidiscipline collection of supporting maritime insurance, legal, freight-forwarders and other companies necessary to handle the spectrum of world trade business.
 - The presence, already, of prominent business headquarters: Hampton Roads is a player in this regard and is a respected host to two Fortune 500 companies, Norfolk Southern and Smithfield Foods. One should include the defense sector as a Fortune-500-like presence in our region. Hampton Roads, however, should be better positioned as a location for investment and other decision-making business headquarters. Recently, the North American headquarters for CGM, Zimm and Maersk shipping lines did move to Hampton Roads, but we should wonder why some of the supporting banking, maritime insurance, legal or other world trade companies have not re-located to Hampton Roads. Are we collectively protecting the future of these participants, the port complexes, the military bases and the cultural or historic landmarks from encroachment, for example? What would happen regionally if we lost the headquarters of one of our major economic generators?
 - A positive reputation in the quality-of life realm: Here, Hampton Roads has impressive assets, a world class symphony and opera, a moderate climate and vast tourism assets. We are the Arts capital of the Eastern seaboard between Washington and Atlanta, and one of the most diverse centers of American revolutionary and civil war history in the country. These are attractive assets.
 - Mechanisms in place that yield a continuing, skilled work force: With the presence of at least six colleges, scores of military schools, shipyard vocational schools and research labs, Hampton Roads is rich in its potential to provide a continuing skilled work force. Today's global economy places knowledge and a reliable skilled work force near the top of its list of

requirements. Our regional work force development offices, however, remain split with one agency serving Southside, the other serving the Peninsula, and it is not clear that regionally, we are making the Louisville-like⁷ level of public or private investments necessary to be an attractive node of the global economy.

- Solid communications networks: Leading the list of communication networks as always is transportation - roads, highways, rail, mass transit and air. Probably, Hampton Roads is above average in the air and rail (freight) categories of transportation. However, our current, and more so, our future roads, highways and transit pictures are not as attractive as they should be. This is an issue of cost; it is a show-stopper issue, or at least it imposes a glass ceiling on our ability to be an effective competitor in the global marketplace. This is also a regional issue, one that is well beyond the capacity of any one or two cities or counties of Hampton Roads to repair.
- Barriers:
 - Confusion: Picture the global entrepreneur coming to Hampton Roads, home of some 16 cities and counties. We live here, and we generally do not see the towering differences among local governments and between their differing zoning rules and tax base formulas seen by this visitor. The absence of methods to resolve inter-jurisdictional questions is a barrier. A record of voluntary regional coordination is helpful, but remains an uncertain process. Regional governance procedures that can and are obliged to handle major issues has become a necessity, at least for the macro-regional land use, transportation and public investment issues that impact regional costs and stability issues monitored by the global economists.
 - Social stresses: Participants and leaders in the global economy are keenly aware of the current and projected social stability of their areas of operations. They do not move to Lebanon or Bolivia where uncertainties are manifest. Understandably, they need to see a stable and dependable social situation in the regions in which they work. In this regard, they look ahead. Fiscal inequities between people, between neighborhoods and between cities will always exist. Institutionalized or increasing inequities, or incipient situations of suburban or urban blight, however, are harbingers of trouble for tomorrow, especially if there is seen no interest or insufficient will to address them. Not

⁷ In a major turn around, Louisville and its largest neighboring county merged governments in a process of regionalism that, among other things, was accompanied with a major region-wide, public-private investment that still provides free vocational and GED education and continuing training courses for regional employers. Neal R. Peirce, p. 15-16

completely, but to some extent, this too is a regional issue. There must be a regional interest and a local government willingness to be sensitive to the happenings of the other cities in their metropolitan region and to take collective action to assist in one city or another for the long-term benefit of the whole.

- High costs: Two topics cited above, work force development and transportation, if not effectively addressed regionally, will result in increased operational costs for business, thus becoming barriers to a region's participation in the global marketplace.

When counseling metropolitan leaders, William R. Dodge, the author of several books on regionalism, noted that:

*“Regions are the new communities of the 21st century. They have emerged just as villages, towns, cities and counties did before them ... and now they determine our fates”.*⁸

Municipal leaders must, or at least must try to, respond to the pressures of population and economic growth. This adjustment is not an easy thing to do. Newark and Hartford have spent millions trying to harness the regional strengths of their urban, suburban, and exurban communities to no avail. Louisville and Indianapolis endured decades of discussion and inaction while their cities and counties as a regional whole, deteriorated rapidly. Louisville was called Strike City, lost scores of businesses and saw wage scales drop way below the national average, until the last straw, the pending loss of their cherished Ford Motor Company plant, finally aroused attention.⁹ In short they merged the city and one neighboring county government (1995) and instituted a variety of regional public-private partnerships (some cross state, into Kentucky) that changed everything. Today, Louisville is the world air hub for UPS, and a preeminent location for artificial heart surgery. Citizen pride, once completely lost, has been more than restored. There are many stories of successes and failures, and more stories will follow.

The global economy is a new day reality. We need not become slaves to its processes, but we do need to adjust so as to become and to remain healthy participants. Among the healthy participants, there are no two alike. Each regional success story is tailored to the unique assets of its communities and to the unique will of the people and leaders in each of these metropolitan areas. Leadership, vision, and public awareness and support are essential to the process. In Hampton Roads, we need to:

⁸ Dodge, William R., Principal, Strategic Partnerships Consulting, *“Regional Excellence: Governing Together To Compete Globally and Flourish Locally”*

⁹ Peirce, p. 15-16.

- Improve our structures of regional cooperation and regional governance in both the intergovernmental and public-private partnership arenas. We may need a new regional body. Either that, or we most certainly need to modernize our existing PDC, MPO¹⁰ (both intergovernmental), or our HRP (public-private) organizations to carry out these missions.
- Develop the case for and take new steps to persuade state leadership to more strenuously promote regionalism in their state economic development plans. Similarly, urge the state legislature to lead the way improving the efficiency of, and easing state-local government inter-jurisdictional issues, sometimes complicated by the Dillon Rule procedures¹¹ used in Virginia. As a further element of state-local coordination, we need to build a cohesive legislative caucus for the metropolitan area of Hampton Roads. That does not now exist, but such a caucus, one aware of a regional agenda would be enormously advantageous while still leaving state legislators room to agree to disagree on certain measures for partisan or other reasons. In short, we need an improved regionalist outlook and a legislative voice in Richmond.
- Build first and foremost on our region's most pronounced physical assets, our ports and shipping terminals and their obvious interconnection to the global economy. It may be incongruous or impossible to believe, but without evidence of a stable and promising economic environment, Hampton Roads could become but a conduit through which products pass, rather than the multi-faceted decision-making hub of business headquarters that should be entirely possible. Our region's high technology labs and businesses and our vibrant tourism industry are also extremely important, but they serve best as attractive work force and quality-of-life enablers for the core enterprise linked to the global economy.
- Generate public awareness way beyond its current levels. Many believe that just the word regionalism generates fear of some supra-regional, remote body. In contrast, the Listen and Learn Tour series of community meetings recently conducted by HRP¹² shows that citizens are well aware that many government issues today require and that they would support regional attention, for example, for transportation and land use decisions. In a 1999 survey, 70 percent of citizens supported the notion of regional solutions. In contrast again, our existing PDC, MPO and HRP regional organizations are by and large unknown entities to the public throughout Hampton

¹⁰ See Regionalist Paper No. 5, *Coming of Age—The Metropolitan Planning Organization (MPO) and Regionalism*, for a discussion of the local Metropolitan Planning Organization (MPO).

¹¹ See Regionalist Paper No. 14, *Regionalism: Does the Dillon Rule Help or Hinder Metropolitan Progress?*.

¹² ListenandLearnTour.com website in support of the Hampton Roads Partnership, December 2005

Roads. State legislation requires the PDC¹³, and federal legislation requires the MPO¹⁴ to have public relations outreach programs, and the HRP's charter generally limits it to being an advisory council for local governments and not to have a public relations program. This state of affairs needs major correction.

Only the tips of the iceberg are addressed in the preceding discussion. There are countless other examples of cooperation and intergovernmental coordination that take place in Hampton Roads on a daily basis, all with huge positive impact and real value to the citizens of the region. In general, however, these might be called small-r regionalism activities, all functional in nature, e.g., a common garbage disposal organization, or all voluntary or both. Few activities of a hypothetical, large-R nature involving matters of region-wide public policy or large scale investment of public monies are managed by an empowered regional organization. While nation-wide, Hampton Roads is viewed as a competent and above average region; it is time to selectively adopt a regionalist approach and to develop a large-R regional governance capacity in order to retain such nation-wide or to gain what should be - similar international level recognition.

As for advancing our case as an attractive regional economic unit in the halls of the global economy, two business-advocate organizations in Hampton Roads do extremely well and even win awards. The Hampton Roads Economic Development Alliance (HREDA) and our two Chambers of Commerce (Southside and Peninsula) work with the situation, the facts and the statistics at hand. It is up to local and regional governance and also to the regional public-private community to create better statistical forecasts and an environment that is evidently aware of how to manage growth in the modern day global economy in order to give these business-advocacy organizations a better hand of cards. Some amount of a "citistate" or effective whole metropolitan governance structure is a necessary part of that requirement.

Leaders throughout the region must recognize that "no benevolent state or federal or international authority is about to step in to wave a wand and solve their problems, they are free agents, in free communities, *able to shape fundamentally what their destiny will be*"¹⁵. For matters of regionalism or regional participation in the global economy, the ball is in our court.

Ray Taylor, Board member, Future of Hampton Roads, December 2005

¹³ Virginia Code § 15.2-4209. Preparation and adoption of regional strategic plan. "In developing the regional strategic plan, the planning district commission shall seek input from a wide range of organizations in the region, including local governing bodies, the business community and citizen organizations".

¹⁴ U.S. Code Title 49, Section 5303 Metropolitan planning, (f) (4): "Before approving a long-range [transportation] plan, each MPO shall provide citizens ... and other interested parties with a reasonable opportunity to comment on the plan in a way the Secretary of Transportation considers appropriate".

¹⁵ Peirce, p. 37.