

The Future of Our Hometowns and Our Nation

GOVERNING ECONOMIES IN THE 21st CENTURY



National League of Cities

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FOREWORD

The NLC Advisory Council has worked over many years to better understand what is happening in the economy – and how cities, states, and the nation can succeed. The great financial disruptions of the past 18 months and the current crisis grow out of past patterns and most likely will result in some substantial reconfigurations.

This report unites and builds upon our previous work. Our intent is to provide elected leaders at all levels with a new framework for addressing today’s economic challenges – a framework that is based on the understanding that we can’t “fix” the economy without better understanding it and also fixing governance and politics.

This report is part of a broader effort by the National League of Cities to provide to municipal officials, the incoming Administration, and Congress with information and ideas that can help shape a better future for our hometowns and our nation. In addition to this report, NLC has prepared a series of “Agenda 09” policy briefs on the most urgent problems and opportunities confronting America today, from housing and health care to immigration and infrastructure. While these other documents identify specific policy recommendations for the federal government, this report takes a longer view at how governance and politics need to change in order for our nation to resolve the most urgent problem of all: the uncertain state of the U.S. economy.

However, as the Advisory Council has been working on this topic, it has become clear to us that the framework outlined in these pages also is one we can apply to other pressing issues facing cities and the nation today and in the years to come. By working together across intergovernmental lines, and by engaging citizens as active partners in shaping solutions, America’s leaders can forge a new and better politics that will enable our nation and its cities to more effectively address the full array of challenges and opportunities we face.

I offer my heartfelt thanks to the members of the Advisory Council who have worked so hard on these issues over the past several years. I especially want to thank the Council’s Vice-Chairs, Charleta Tavares, Council Member, Columbus, Ohio; and Stan Finkelstein, Executive Director of the Association of Washington Cities.

The NLC Advisory Council believes that the future our hometowns and our nation is filled with enormous promise. We look forward to working with our colleagues at all levels of government to strengthen local, regional, and national economies and to create a politics that is worthy of our great nation.

Bruce Tobey

Council President, Gloucester, Massachusetts
Chair, NLC Advisory Council



INTRODUCTION

Changes in economies at the local, national, and global levels are creating enormous new challenges for America's citizens and their leaders -- and enormous opportunities as well. The current financial crisis dramatically highlights and drastically alters our situation and prospects. It further illuminates underlying patterns.

How and where Americans work, what they need to know, what skills they need to have, whom they compete with for jobs and business, what rules govern behavior – all of these are changing. It is way past time for America's elected leaders to think and act differently in response to these changes.

From City Halls to the state capitals to Washington, DC, it is time for public officials to recognize the following: To do better economics, we must do better politics.

The U.S. and global economies are characterized by their dynamism – by the “creative destruction” that fuels innovation, opportunity and growth. However, that same dynamism, as it plays out in communities across the nation, is an ongoing source of insecurity and turmoil for many Americans — during times of trouble and even during times of growth. The members of the National League of Cities – mayors and city council members across the nation – hear our constituents' concerns *every day* in town hall forums, community meetings and coffee shops.ⁱⁱ

To do better economics, we must do better politics.

Americans see fundamental changes affecting their jobs, their businesses and their lives. People want to know that their leaders see these changes, too, and are prepared to act. We aren't just talking about the “mortgage meltdown” and credit panic that continue to dominate the financial pages and worried Americans' dinner-table conversations. While elected leaders at all levels must work to address the continuing fallout from that crisis, we also need to get a better handle on the structural changes buffeting local, regional, and national economies – and on how to respond to those changes in effective ways that make life better for people.

A Call for Leadership

Americans are calling for new solutions and new leadership to address today's economic challenges. The response among officials at all levels of government must be to join together to provide the foundation for a strong and vibrant economy.

In this report, the NLC Advisory Council identifies some of the steps that America's leaders must take as we strive to build a better future our hometowns and our nation. The intent of this report is not to offer specific policy recommendations but to provide the new Administration and Congress with a framework for action on the economy and other priorities. NLC has published a companion series of “Agenda 09” policy briefs identifying specific policy priorities in critical issue areas including housing, immigration, public safety, infrastructure and others (see www.nlc.org). The Advisory Council strongly believes that the changes in governance and politics we describe in this report are as essential to progress on these other topics as they are to progress in strengthening local, regional, and national economies.

In the three main sections of this report, we describe the three-part foundation of a better economic future for our hometowns and our nation. Working with our constituents,

America’s leaders must create:

1. **A SHARED UNDERSTANDING** of the fundamental economic issues confronting America today – an understanding that is not clouded by partisan considerations and that recognizes the importance of strong local and regional economies to U.S. economic success.
2. **A WELL-FUNCTIONING INTERGOVERNMENTAL SYSTEM** that enables and demands that all levels of government – federal, state and local – work together effectively to strengthen the economy and address other priorities.
3. **A NEW SOCIAL CONTRACT** with the American people that encourages and enables individual responsibility and constructive civic engagement, and that brings a “common good” framework to public and policy discussions of the economy and other issues.

Each of the following sections describes key steps that America’s leaders need to take in order to achieve these goals. Now is not the time to wax nostalgic for the “old” economic system or “old” forms of leadership. Rather, it is a time to follow the words of President Abraham Lincoln’s second annual message to Congress in 1862: “As our case is new, so we must think anew and act anew.”



ONE: Advancing A Better Understanding of the Economy – and What It Takes to Succeed

American workers and their families and employers are operating on a different economic playing field than they did in much of the twentieth century, with different rules and requirements, different players, different expectations.

Making matters still more challenging, America is adrift amid these changes. The nation lacks a fresh, constructive, and actionable *shared* understanding of the fundamental economic issues confronting America today.

Working with our constituents, political leaders at all levels need to create a new narrative about what is happening in the economy – and what it takes to produce better outcomes for people, not just for financial mechanisms and institutions.

In this section of the report, we offer our perspective on some of the ways the economy has changed, and we highlight the importance of strong local and regional economies to national economic success. We also outline what it will take to nurture public understanding of economic change and what it means for the future of cities and the nation.

STEP ONE: Defining the Challenges

Saying we are in a “global economy” or a “knowledge economy,” and leaving it to others to figure out what these terms mean for them, is not enough. It’s just rhetoric.

Nor is it enough to rely on national statistics to show what’s changing in the economy – because national averages do not reflect the wide variety of day-to-day reality where people live in America’s cities, towns and regions. Instead, public officials at all levels need to join with each other and with their constituents to explore and define what is truly going on.

Here is how we see what’s changing, based on what we see and hear in the communities we serve:

The geography of the economy is changing. The globalization of the economy and the advance of technology have made national and state boundaries less important. But, contrary to conventional wisdom, the world is not flat. Place still matters. And, in many ways, place matters now more than ever before. “The real contest today is among communities, not nations.”ⁱⁱⁱ

The integration of national economies into the international economy is a source of uncertainty and insecurity, for communities and for individuals. “Local economies are on the front lines in the global economy.”^{iv} Yet, cities and regions, whether in the United States or anywhere else, must compete based on such factors as amenities and infrastructure, quality of life, and the availability of a high-quality workforce.

Over the years, research by NLC and others has affirmed the existence of local economic regions that encompass center cities, surrounding suburbs, and contiguous towns and rural communities.^v The “national economy,” NLC has asserted, is not one gargantuan, homogeneous entity but rather a “common market” of these local regions. What happens in these regions to strengthen their local economies, in turn, is what drives the United States’ overall economic success. As a recent Brookings Institution report put it: “America’s metropolitan regions are not part of our national economy. Rather they are the national economy.”

All politics is local, the saying goes. Well, it's time for America's leaders to remember that economics is not solely a national or international phenomenon; it's local too. It is time to ground both political and economic conversations in a real sense of what is happening to people in America's cities and towns.

The nature of economic activity is changing. “U.S. manufacturing in decline.” “Services dominate the new economy.” “Knowledge-based industries ascendant.” These headlines reflect the common wisdom about trends in the U.S. economy today. While all of these things are happening to some degree, they are not necessarily happening everywhere, nor are they affecting all communities and regions in the same way.

Manufacturing is responsible for 10 percent of U.S. non-farm jobs in 2008.^{vii} In many American communities, however, manufacturing is still a vital economic force, as many high-technology, high-productivity manufacturers have bucked the trend of U.S. manufacturing jobs being transferred overseas. Similarly, the “services” sector includes everything from health care and educational services to data entry and call centers, which makes blanket characterizations of the “shift to services” unhelpful to those who want a truer understanding of economic trends.

What matters to local and regional economies is not what national statistics say about the status of manufacturing vs. services as a focus of economic activity. Rather, local, state and national leaders should be focused on bigger questions. These include:

- **How can we support high-growth, high-wage jobs?** Jobs themselves are changing in both the manufacturing and service sectors – and they continue to change. In today's “knowledge economy,” the education, skills, and capacities of workers, entrepreneurs, and managers are crucial to success for businesses, communities, and nations alike.
- **How can we develop the infrastructure that will ensure the economic prosperity and vitality of America's cities and towns?** We can no longer ignore the role of infrastructure – our nation's roads and railways, air and sea ports, transit and water treatment systems, even broadband access – in enabling us to compete economically as cities, regions, and a nation.
- **How can we support innovation and home-grown, entrepreneurial businesses and help them grow?** According to the U.S. Small Business Administration, small businesses in the United States employ half of all private-sector employees and generate 60 to 80 percent of net new jobs. While economic development at all levels traditionally has focused on the “great buffalo hunt” of attracting and retaining large employers, today it is equally if not more important to support home-grown, entrepreneurial businesses.

Raising these questions – and seeking answers – will help elected leaders and their constituents go beyond the headlines to develop a better sense of how the nature of economic activity is changing in America today, and how government and others can best respond.

Insecurity, inequality are on the rise. Economic change always produces winners and losers. But the changes we've seen in recent years are different. The pace and the nature of these changes – such as a new emphasis on postsecondary education and high-level skills -- have contributed to growing inequality as increasing numbers of Americans face diminished opportunities to achieve the American dream.

Wages have stagnated for thirty years. Far too many children are trapped in low-quality schools that do not have the resources or the capacity to help them succeed. Far too many workers can't find decent training to help them develop and refine the skills that local employers need.

As a result of these and other facts, the American dream of a level playing field where everyone has a chance to succeed remains unfulfilled. In 2006, the top 20 percent of households took home more than half (50.5 percent) of the nation's total household income, and their share continues to grow. Meanwhile, the share of income earned by those at all other income levels has been in a steady decline over the last two decades.^{viii}

Making matters worse, millions of our fellow citizens are struggling not because of something they did or did not do, but because of their race, class, or place of residence. And it is not just poor or struggling families who suffer the effects of inequality in America today. The growing disparities in our society hurt the performance of local, regional, and national economies by lowering efficiency and productivity, sapping demand for goods and services, and consuming resources – for public safety, social services, and other needs – that could be used more productively in other ways.^{ix}

America is living beyond its means. Public and private debt in America are at record levels. Interest payments on the federal government's ever-growing \$10 trillion debt now consume more and more of the federal budget every year. Adding to the fiscal pressures are mandatory spending for Social Security and Medicare and outlays for the wars in Iraq and Afghanistan.

State and local government budgets face their own constraints, in part because of structural imbalances in the U.S. fiscal system (see page 8 for more). As a result, America is starved of the public resources it needs to invest in infrastructure, skills training for workers, and other priorities that are sure-fire ways to strengthen local and regional economies.

Of course, it is not only government that is living beyond its means. A financial system boom based on high leverage has collapsed, causing widespread pain. Americans themselves have been saving less and taking on increasing levels of debt.

STEP TWO: Creating a Shared Understanding of Change

It takes leadership to help people discover what is happening in the economy and the world today. Elected officials – whether at the local, state, or national level – can initiate public conversations that produce a useful, persuasive, and shared interpretation of globalization and other economic changes.

Everybody doesn't have to agree on everything that's happening – it would be foolish to expect they would. Different people are going to have different perspectives on the economic challenges facing their communities and the nation. The goal should be to find common ground and common interests. What changes in the economy can everyone acknowledge and understand? On what issues can people see opportunities to work together? What are the outlines of a widely shared vision of success?

During the NLC Forum on Economic Vitality in Denver in 2005, Susan E. Clarke, a professor at the University of Colorado at Boulder and author with Gary L. Gaile of *Local Politics in a Global Era: Thinking Locally, Acting Globally*, pointed out the importance of “telling stories” to make sense of globalization and other economic trends.

Citizens need narratives that help put events and trends into a local context, that are a foundation for hope, and that create a basis for policies that respond to the real economic challenges facing American communities today.

Elected leaders make a difference, Clarke added, by engaging stakeholder groups and citizens in a process of developing an overarching economic strategy. The strategy must make sense in terms of the community's history, its assets, and its goals—its “story.” Articulating this story publicly and persuasively is a key role for leaders.

“People need to understand that they do not have to be the tail on the dog with all of these national and global trends playing out,” added Barry Bluestone, dean of the School of Social Science, Urban Affairs and Public Policy at Northeastern University, in a 2008 presentation before the NLC Advisory Council. Rather, Bluestone said, it is the job of political leaders to help their constituents see that they have some control over their economic destiny, and that actions taken at the local level can help determine whether a city, town or region can succeed in today’s changed economy.

Vision is the key to effective leadership to strengthen local and regional economies, according to Edward W. (Ned) Hill, vice president for economic development at Cleveland State University. Citing the work of successful former mayors such as Denver’s Wellington Webb and Norm Rice in Seattle, he told the Advisory Council that effective leaders can develop a “widely shared, transforming vision” for and with their communities and regions. Such a vision is optimistic but real, he said, and it should be crafted to transcend political and geographic boundaries.

“Leadership is an economic development asset.” — Edward W. (Ned) Hill, Vice President for Economic Development at Cleveland State University

The work of building a shared understanding of the economy and a shared vision of success should not rest solely with local leaders. Whether at the local, state or national level, the primary role of government in strengthening local and regional economies – and, in turn, the national economy – is to act as a *steward of place*.

With public understanding and buy-in, America’s leaders can begin the hard work of crafting the proper responses to today’s economic challenges and opportunities. Making the needed adjustments in economic policy and our approaches to economic development is not just technical or programmatic work. Mainly, it’s about leadership. And, leadership on this and other issues begins with a commitment to fixing America’s broken intergovernmental systems and to resurrecting the “common good” as a framework for action on the economy and other issues. These priorities are the focus of the next two sections of this report.

NLC RESOLUTION HIGHLIGHTS KEY ISSUES FOR DIALOGUE

A resolution adopted by the NLC Board of Directors in 2005 summarized some of the crucial issues that should be the focus of public dialogue on the economic vitality of cities and the nation. The resolution, *Economic Vitality: A Call for Public Discussion and Education*, urged greater attention to the following topics:

- The ways that municipalities and communities fit into local economic regions and how these regional economies comprise the “national economy”;
- The need for locally-developed strategies to address the opportunities, challenges, and choices that confront each region;
- The imperative of addressing persistent poverty, inequality, distress, and disruption in the same context as economic growth and development;
- The importance of inclusive governance processes for local and regional action, processes that include public, private, independent, and community sectors;
- The importance of small business in these strategies; and
- The roles that federal and state governments should play in providing authority, incentives, and support for local and regional strategies.

TWO: Fixing America’s Broken Intergovernmental System

The work of achieving a shared understanding of the economic challenges and opportunities confronting America today – and taking action to build strong local and regional economies as the linchpins of national economic success – is made harder by the fact that the U.S. intergovernmental system is broken. As NLC concluded in a 2006 report:

“A decline in a sense of shared responsibilities among federal, state, and local governments for funding and delivering public services is resulting in unproductive, combative, and often-conflicting policymaking.”^{xi}

Fixing the intergovernmental system is a crucial step toward fixing local, regional, and national economies. What’s more, if leaders at all levels can come together to address the systemic problems that stand in the way of economic solutions, they also will strengthen their collective capacity to address other complex policy challenges facing America today. This shifts the discussion of how to strengthen intergovernmental relations from a largely academic argument to an urgent priority for all levels of government. And, it makes the work of strengthening economies a platform for achieving broader changes in governance.

In this section of the report, we explore why the intergovernmental system isn’t working, identifying key problems that need to be addressed at all levels. We also specify how every level of government can begin the work of setting things right and building stronger local and regional economies.

STEP ONE: Assessing Why the System Has Failed

Limitations in the U.S. intergovernmental system thwart leadership at all levels to strengthen local and regional economies. The unraveling of the intergovernmental system over time is rooted in such factors as:

- **“Pass-the-buck” federalism.** From the viewpoint of cities, unfunded federal and state mandates continue to strain local budgets, while federal and state laws preempt local taxing authority. Meanwhile, the federal and state governments have scaled back their responsibilities in critical areas such as affordable housing, infrastructure and community development. As a result, local governments are left with the responsibility for activities and investments that are crucial to strengthening local and regional economies – and cities and towns lack the resources needed to nurture economic success.
- **“Hyper-partisanship.”** All too often in today’s politics, policy debates that could yield true collaboration and action to address problems and opportunities facing our communities and the nation degenerate into electioneering, name-calling, and political posturing. National interests are pitted against local interests, party interests are elevated above the common interest, and economic and other problems get worse – allowing the cycle to continue as partisans then blame their opponents for all that’s gone wrong.

Divided governance. There has been a misguided focus in recent years on trying to *totally separate* the functions among local, state, and federal governments rather than finding ways for them to work together. In this environment, examples of intergovernmental collaboration, vertical and horizontal, are viewed as anomalies or as negligible because they are not perfect.

- **Outmoded revenue systems and inadequate public resources.** America’s system of public finance is woefully out of date. There is a mismatch between twenty-first-century economic activity (the growing service and knowledge sectors) and a revenue system based on 19th- and 20th-century assumptions of the production of goods. The fiscal mismatch has created long-term structural imbalances at all levels of government, while growing anti-tax fervor among citizens and their elected leaders has constrained the search for new solutions.

STEP TWO: Accepting Responsibility and Fixing the System

Each level of government must bear responsibility for fixing the intergovernmental system if we are to meet our economic challenges. Strengthening intergovernmental relationships so that all levels of government can and will work together will provide a framework that balances the critical role of each level of government in the economic health of the nation. This will also help provide balance among the national economy and the local and regional economies.

Federal roles and responsibilities. The federal government sets the policy context for the “common market” of local economies, but it currently has no framework in place for tracking, promoting, or coordinating regional economic vitality strategies. In addition, national averages and indicators are inadequate and misleading as a basis for policymaking because they mask extreme differences among local economic regions and acute problems in some.

The 2005 NLC resolution, “Federal Government Should Fulfill Its Partnership Responsibilities for Economic Vitality,”^{xiii} outlined some of the specific steps Washington can take to the bridge the intergovernmental rift and help strengthen local and regional economies. These include:

- Work effectively with local leaders to meet the very real economic challenges and opportunities that American communities and people are facing.
- Partner with municipal leaders to help the American people better understand the impacts of economic change and to promote sustainable local, regional, and national economic vitality.
- Provide critical economic information by reporting on and analyzing conditions in local economic regions.
- Establish a new Regional Economic Strategy Program to assist municipal leaders in assessing their regions’ economic challenges and developing and implementing strategies to address them.

More specifically, the federal government will have to forge partnerships with state and local leaders to advance policies that bridge intergovernmental divides while supporting local and regional economic success. Examples of policy options that Washington should explore with its state and local partners: reducing unfunded mandates and preemption of local authority; spurring substantial new investment at all levels in essential infrastructure; and providing American workers with the support they need to develop new skills matching those that local employers need.

State roles and responsibilities. State governments also can help or hinder localities and regions as they work to enhance economic vitality. States set the ground rules for local action and define the powers and authorities that municipal governments may exercise, including revenue-raising powers. To the extent that state officials do not grasp the nature of the local economic regions within a state’s boundaries (or spanning those boundaries), they can easily thwart local and regional efforts.

Each state is different and must develop its own strategy for nurturing the economic vitality of local and regional economies within its borders. NLC will be working closely with state municipal leagues across the country to promote strategies that can benefit states, localities, and regions.

Local roles and responsibilities. Whatever cities do to help ensure economic vitality, it has to be based on a realistic understanding of where local government can best exert its influence and effect change. Sometimes local government's greatest influence is exercised indirectly or through alliances. Thus, for example, many analysts of local economic development recommend attention to improving schools and to regional action, as well as seeking appropriate partnerships with state and federal governments.

In a presentation to the NLC Advisory Council, Hannah McKinney, Ph.D., Vice Mayor, Kalamazoo, MI and an economist at Kalamazoo College, described her research efforts to find “policy space” for municipal action on economic issues. McKinney and a colleague conducted an analysis suggesting that 70 percent of the change in income in a given city over time can be explained by factors beyond the purview or power of city government. The remaining 30 percent, she noted, is local government’s “policy space”, the arena in which action is likely to produce significant effects. She encouraged local officials to consider how they can use best use that “policy space.”

“A lot of our policies are good tools but wrong for the job,” McKinney concluded. “We need more regional tools. We need different tools. I do not believe that you and I cannot make a difference.”

Exactly how local officials can make a difference in spurring economic development is the focus of Barry Bluestone’s work at Northeastern University. Bluestone argued in a presentation to the NLC Advisory Council that local elected officials are the “key actors” in economic development in today’s global economy.

“The economic development of your community and your economic destiny are a function of what you do,” he told the Advisory Council members. Citing the results of a survey of 230 corporate location specialists, Bluestone listed some of the key “deal makers” and “deal breakers” that influence business decisions.

Among the key “deal breakers” that require the leadership of local elected officials to resolve are “out-of-date cognitive maps”—i.e., negative perceptions of a city or region that persist despite recent changes that make it a good place to live and work and locate a business. Another deal breaker: “site deficiencies” that add to the costs of doing business in a specific city or town. These include a lack of transportation or parking, an inappropriate labor force, and onerous permitting processes.

“All of these are things you can change in your capacity as local elected leaders. What you want to do is minimize your deal breakers and maximize your deal makers,” Bluestone said.

If leaders at all levels of government can come together to address the systemic problems that stand in the way of economic solutions, they also will strengthen their collective capacity to address other complex policy challenges.



THREE: Bringing Back the Common Good

In the same way that the work of strengthening local and regional economies provides a platform for strengthening intergovernmental partnerships, this work also can spur action to broaden public participation in governance at all levels.

In this section of the report, we assert that America’s leaders have largely abandoned the “common good” as a framework when discussing the economy and other key issues. As a society, we have lost a shared sense of why government exists, and in what instances it can be a force for good. We also highlight a range of new ideas for engaging citizens in the work of government and public problem-solving.

STEP ONE: Advancing a New Model of Governance

In a 1996 report, the NLC Advisory Council contrasted two models of democratic governance. The first model is the vending machine – people put in their taxes and fees and expect that much back in services. In the second model, which we referred to as “barnraising,” people focus instead on what they can achieve collectively, both through government and by working together in their communities.^{xiii}

As we observed in 1996, providing basic services efficiently is critical to good government, but the vending machine model can contribute to a sense among citizens that they are merely customers of government. The needs of the community as a whole become secondary to people’s interest in knowing they are getting at least their fair share of services and attention.

As a result, people can lose sight of government’s role in protecting and advancing the common good, and of their own role as citizens in influencing government actions and decisions. In fact, many public officials – the leaders of our local, state and national governments – often have fallen into the trap of *demeaning* government as a force for collective problem-solving. The result is an even greater hostility toward government and public officials.

“People no longer understand what taxes have to do with their lives. There is a lack of understanding that only government can solve certain problems,” said Stuart Comstock-Gay, director of the Democracy Program at Demos, in a 2008 presentation to the NLC Advisory Council.

Citing polls showing that 57 percent of Americans believe something run by the government will be inefficient and wasteful, Comstock-Gay said public officials have contributed to the anti-government mindset by framing government as “the problem.” Where government solutions exist, they are presented as the product of a consumer relationship between citizens and their government.

Adding to the collapse of the common good is anti-tax fervor, which creates a self-reinforcing circle as government is denied the resources it needs to respond effectively to pressing problems and opportunities. To the extent that government is ineffectual because of a lack of resources, this only adds to public disillusionment and mistrust.

In addition, where corporate leadership might have played a role in bolstering civic life and collective problem-solving in the past, today’s footloose multinational companies often have shallow roots in the places where they operate. This makes them less inclined to become active participants in community problem-solving, apart from making sure they get their share of government benefits.

STEP TWO: Embracing New Strategies for Engaging Citizens

Bringing back the common good as a focus of public discussion and government policy, whether on the economy or other issues, requires elected officials at all levels to embrace a fundamental shift in the way that citizens and governments work together.

Local, state, and national leaders must embrace new strategies for involving citizens in the work of identifying key challenges and opportunities facing cities and the nation, and how the government and other sectors should respond. The result of this work: solutions that can credibly and realistically promise to reap rewards not for a limited few but for entire communities and regions and the nation as a whole.

How to engage citizens in the work of public problem-solving is the focus of NLC's CityFutures Panel on Democratic Governance. The panel defines "democratic governance" as "the art of governing a community in participatory, deliberative, and collaborative ways."

In the course of its deliberations and research, the Democratic Governance panel identified a number of successful principles that can guide leaders at all levels as they set out to restore a common-good framework to the crafting of public policies.^{xiv} These principles include:

- Reaching out through a wide array of groups and organizations is critical for mobilizing large numbers of citizens, and many different kinds of people.
- Most public problems cannot be solved without the effort, energy, and ideas of citizens and their organizations (churches, associations, businesses and nonprofit groups).
- Large-scale, open-minded deliberation, where citizens consider a range of policy options, results in public decisions that are fairer, more informed, and more broadly supported.
- Giving people a sense of "political legitimacy" – a sense of status and membership in their community – promotes individual responsibility and leadership.

Carolyn Lukensmeyer, Founder and President of America Speaks, debunks the conventional wisdom that Americans are unwilling to support large-scale policy changes in areas from health care and education funding to climate change. Building public will for change, she told the NLC Advisory Council, requires elected officials to create engagement processes that involve a broad cross-section of residents.

"People in the end are willing to put their money where their mouths are," Lukensmeyer said. She added that the onus is on local elected officials and other leaders to restore public trust by making certain that residents' tax dollars are used effectively to achieve a common set of goals.

Comstock-Gay of Demos warned that elected leaders at all levels should discourage a vending-machine view of government among residents. A better approach, he said, is to emphasize the "public structures" that are needed to allow individuals and communities to thrive.

Comstock-Gay applauded NLC's emphasis on restoring a common-good framework to discussions of the economy and other issues. "We need to rebuild the social contract and restore people's faith and confidence in government as an agent for collective stewardship of our communities," he said.

We also need to restore people's understanding of the common good. At the local and regional level, this means helping people see the benefits that redound to individual jurisdictions and neighborhoods when they begin to view themselves as part of a bigger whole. Looking to the national and state levels, elected leaders can play a crucial role in fostering a fresh appreciation of how the economy will only reach peak performance when all cylinders (i.e., all local economic regions) are firing and running strong.

Conclusion

It is easy to focus on the problems we face as cities and a nation – and we have done our fair share of identifying some of those problems in the preceding pages. But this report is not meant as a “doom and gloom” report or as a jeremiad about the state of modern American politics or about our capacity to solve economic and other problems. Rather, we are hopeful, and we offer what we believe is a framework for progress.

The future of our hometowns and our nation depends on elected officials at all levels adopting new strategies for a new economy and a new century. This is what we mean by “better politics” – making a shared commitment to breaking down the political and institutional barriers to concerted action to strengthen the economy and address other priorities.

Even amidst the current economic crisis, with a new Administration and Congress coming to Washington, and with Americans eager for a sense that government can respond effectively to the real needs people see in their communities and their lives, we believe that America has a unique opportunity, *right now*, to build a better future. It will be a future built on a shared vision for our common well-being, with all levels of government in mutual accord, with citizens engaged as active partners in leading our communities and our nation, with local and regional economies driving national economic success.



Endnotes

- i “Creative destruction” is a term first used to describe the capitalist system by economist Joseph A. Schumpeter, author of *Capitalism, Socialism and Democracy* (1942).
- ii For additional perspective from NLC on the changing economic situation, see the NLC Advisory Council’s 2006 Futures Report, *Economic Vitality: Your City’s Success in a Changing Economy*. Available at www.nlc.org.
- iii Pete Engardio, “Slicker Cities,” *BusinessWeek*, August 21, 2006.
- iv *Achieving World Class Local Economies*, (Washington, DC: National League of Cities, 1996), 5.
- v See, for example, William R. Barnes and Larry C. Ledebur, *Local Economies: The U.S. Common Market of Local Economic Regions* (Washington, DC: National League of Cities, 1994).
- vi Alan Berube, *MetroNation: How U.S. Metropolitan Areas Fuel American Prosperity*, (Washington, DC: The Brookings Institution, 2008), p. 45.
- vii Bureau of Labor Statistics, *Employment Situation Summary*, August 2008. Available at <http://www.bls.gov/news.release/empisit.nr0.htm>.
- viii See *Income, Poverty and Health Insurance Coverage in the United States: 2006*, U.S. Census Bureau. August 2007. Available at <http://www.census.gov/prod/2007pubs/p60-233.pdf>
- ix For additional perspective from NLC on inequality in America, see the NLC Advisory Council Futures Reports, *Inclusive Communities for All* (2005) and *Undoing Racism: Fairness and Justice in America’s Cities and Towns* (1999). Available at www.nlc.org.
- x See *The President’s Budget for fiscal year 2009* at <http://www.whitehouse.gov/omb/budget/fy2009/pdf/budget/tables.pdf>
- xi NLC Futures Program, *Taxing Problems: Municipalities and America’s Flawed System of Public Finance*, 2006. Available at www.nlc.org
- xii Adopted by the NLC Board of Directors, July 15, 2005
- xiii See the NLC Advisory Council’s 1996 Futures Report, *Connecting Citizens and Their Government*. Available at www.nlc.org.
- xiv See *The Rise of Democratic Governance: How Local Leaders Are Reshaping Politics for the 21st Century* (Washington, DC: National League of Cities). Available at www.nlc.org

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Acknowledgements

The NLC Advisory Council thanks these individuals for their contributions to the process which produced this report.

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The National League of Cities (NLC) is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more than 1,600 member cities and the 49 state municipal leagues, representing 18,000 cities and towns across the country. The mission of the National League of Cities is to strengthen and promote cities as centers of opportunity, leadership and governance.

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The NLC Advisory Council works to study the most significant trends and changes affecting the nation's cities and towns. A major component of this CityFutures Program includes the Advisory Council and the CityFutures Panels. Various reports from the Program, including the Futures Reports, aim to improve the ability for city and town leaders to anticipate and address the needs of their communities.

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- Diversity & Governance: Changing Populations and the Futures of Cities and Towns (1991)

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